



COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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January 26, 2006

IN REPLY PLEASE

REFER TO FILE: **WM-3**
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TO: Each Supervisor

FROM: Donald L. Wolfe
Director of Public Works

REPORT ON A STABLE AND LONG-TERM SURFACE WATER QUALITY FUNDING MECHANISM

At the September 13, 2005, Board of Supervisors meeting, your Board unanimously approved a Motion instructing the Chief Administrative Office (CAO), with assistance from Public Works, County Counsel, and other appropriate departments, to provide recommendations on implementing a stable and long-term funding mechanism to finance the cost to construct, maintain, and operate projects that address water quality and provide other benefits. The CAO, in a memo dated October 13, 2005, gave you a preliminary report on the subject. The CAO also reported that they will identify funding options for the overall program and specific projects by the end of April 2006. No recommendations are being made at this time.

For your review, attached is a supplemental report that presents activities and concepts being considered in preparing a comprehensive program definition document and developing a stable and long-term funding plan. This report is for review and comment by interested parties. Comments from you or your staff will be appreciated. Additional research and analysis of the activities and concepts is necessary before presenting recommendations for consideration by your Board. We will continue to work with the CAO and will keep you informed of the progress of these activities.

If you have any questions or would like a briefing on our funding efforts, please contact me or your staff may contact Mr. Mark Pestrella, Assistant Deputy Director, Watershed Management Division, at (626) 458-4300.

HJB:vr

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Attach.

cc: Chief Administrative Office (Jan Takata)
County Counsel (Judith Fries)
Executive Office

REPORT ON A STABLE AND LONG-TERM SURFACE WATER QUALITY FUNDING MECHANISM

**Donald L. Wolfe
Director of Public Works**

December 2005

REPORT ON A STABLE AND LONG-TERM SURFACE WATER QUALITY FUNDING MECHANISM

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REPORT ON A STABLE AND LONG-TERM SURFACE WATER QUALITY FUNDING MECHANISM

1. Executive Summary

At the September 13, 2005, Board of Supervisors meeting, the Board unanimously approved a Motion instructing the Chief Administrative Office, with assistance from Public Works, County Counsel, and other appropriate departments, to provide recommendations on implementing a stable and long-term funding mechanism to finance the cost to construct, maintain, and operate projects that address water quality and provide other benefits. This supplements the preliminary report to the Board from the CAO dated October 13, 2005.

Following are key points covered in this report:

- The funding mechanism must be supported by a clear and simple plan that describes goals, strategies, projects, land acquisition, project schedule, description of the stable and long-term funding mechanism, the need for the additional revenue, the amount of revenue anticipated, how the revenue is to be used, discussion of other funding options, and most important, the water quality and other benefits that communities can anticipate if the funding mechanism is approved and the plan is implemented.

The technical basis for this plan will be the Integrated Regional Water Management Plan (IRWMP) being developed through the Proposition 50, Chapter 8 planning process. The current schedule is to have the IRWMP adopted by January 1, 2007.

- The Los Angeles Regional Watershed Infrastructure Funding Workgroup, chaired by the American Society of Civil Engineers, is an unprecedented collaboration of governmental agencies, environmental organizations, and many stakeholders, working to cooperatively address water-quality issues in the County. This group is conducting research, educating, and is working to prepare the necessary plans to support a funding measure for the County.

This group can be of great benefit to the Board of Supervisors by acting as an independent and neutral organization since it is made up of community leaders, which represent a broad cross section of the local community. The group can review reports and recommendations prepared by government agencies and provide unbiased, credible, and neutral information to the Board for their consideration of a ballot measure. Recommendations or input from this body will lend increased credibility to any recommendations of County departments and the Board.

- A preliminary assessment of funding options indicates that property taxes (to pay for the debt service costs on bonds) coupled with parcel taxes (for operation and maintenance), benefit assessments and service fees meet the criteria of a stable and long-term funding mechanism to finance the construction, operations and

maintenance of projects. The preliminary report, "Evaluation of Watershed Management Funding Options For Los Angeles County," Exhibit 3, provides details of these and other options. This report is currently being reviewed by the Chief Administrative Office, Public Works, the Infrastructure Funding Workgroup, and other organizations. Your comments are welcome.

2. Introduction

This report supplements the Chief Administrative Office's report dated October 13, 2005, in response to the September 13, 2005, Board Motion requesting that the Chief Administrative Office, with assistance from the Director of Public Works, County Counsel and other appropriate County departments, develop recommendations on how best to implement a stable and long-term regional funding mechanism to finance the construction, operations, and maintenance of projects that address water quality and provide other multiple benefits. The Motion also requests that a list of projects be established to implement in all parts of the County along with the costs and timing of any necessary funding measure. Exhibit 1 is a copy of the Motion.

This report is for discussion purposes and no direct recommendations are made at this time. Future reports will provide specific recommendations for consideration and additional details on tasks and activities.

3. Background

The cost to meet the emerging and stringent stormwater and urban water runoff regulations continues to increase. Developing and constructing projects to meet these regulations are anticipated to be in the hundreds of millions of dollars per year. Additionally, there is an ever increasing demand to no longer develop single purpose projects but projects that provide other tangible community benefits such as wildlife and riparian habitat restoration, flood protection, water supply, recreation, open space, and wastewater management.

Meeting these objective may require solutions that are not traditional in our highly urbanized population centers. Over the next 10 – 20 years it may be necessary to use existing publicly owned open space and acquire currently developed (and underutilized) lands adjacent to the rivers and creeks for projects which retain, treat, and recharge stormwater runoff. Additionally, opportunities should be sought to design projects to achieve multiple objectives described above as well as opportunities to make them eligible for Federal funding (up to 65 percent) if they are consistent with the mission of the US Army Corps of Engineers to provide flood control and habitat restoration and with State grant funding that provides incentives for multipurpose solutions.

Financing these projects requires a stable and long-term revenue stream that is available from year-to-year and that can pay for construction of projects as well as for their operations and maintenance once constructed. Additionally, since compliance with regulations will be over a period of 10 - 20 or more years, the revenue stream needs to be available for that period of time. Therefore, a stable and long-term funding mechanism to finance water-quality projects that also provide other benefits is a critical priority for the County, the cities in the County, water and sanitation agencies, and other organizations that have an interest in improving the quality of the environment for residents in the County.

To address the issue of a long-term stable funding mechanism, the American Society of Civil Engineers formed and facilitates the Los Angeles Regional Watershed Infrastructure Funding Workgroup (Workgroup). The Workgroup is made of government and private organizations, environmental groups, and individuals working cooperatively to provide the information necessary to support a voter-approved stable and long-term funding mechanism. The Workgroup consists of a Leadership Roundtable and the Funding, Plan Development, and the Education and Outreach Committees.

The Workgroup's effort includes supporting the development of an IRWMP for the greater Los Angeles County region. This plan is proposed as the technical document that will describe the projects, programs and their benefits to support the funding mechanism.

Along with the development of the IRWMP, it is proposed that the Workgroup prepare a report to describe the tangible benefits that communities, public agencies, and other organizations in the County would receive by implementing the projects and programs, such that voters understand the return on the investment expected as a result of approving the funding measure. Most important, this report will propose a stable and long-term funding mechanism to finance, in whole or in part, the projects and programs.

The report would detail the amount of revenue anticipated from the funding mechanism and why the revenue is necessary. It would also detail a formula for disbursing the revenue to cities, the unincorporated County, directly and on a competitive basis to projects/programs, and to the County Flood Control District. The report will describe how the revenue would be used to leverage State and Federal funds to provide additional assistance to finance the cost of projects and programs. Specifically, the funds would be used as match on grants from future State bond measures and Federal funding partners. Also, this report, along with its supporting technical document, the IRWMP, will be used to seek direct funding for projects from State and Federal sources. For the purposes of this document, this report will be known as the "Benefits Report."

4. Integrated Regional Water Management Plan

Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 was passed by the California voters in November 2002. Chapter 8 of Proposition 50 provides \$500 million in grants for development of Integrated Regional Water Management plans and implementing projects.

The intent of the Integrated Regional Water Management Grant Program is to encourage integrated regional strategies for management of water resources and to provide funding, through competitive grants, to develop integrated water management plans and implement projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water.

The following provides an overview of Countywide efforts related to the Integrated Regional Water Management Grant Program. Exhibit 2 is a detailed status report on the IRWMP effort.

a. Grant Applications

The City of Los Angeles, the West Basin Municipal Water District, the Watershed Conservation Authority, the Santa Monica Bay Restoration Authority, the City of Downey, and the San Gabriel Valley Municipal Water District, as the lead agencies for six planning regions in the County, submitted draft IRWMPs and proposals for Proposition 50, Chapter 8 planning grants to the State Department of Water Resources and the Water Quality Control Board.

The Watershed Conservation Authority is a joint powers authority between the County Flood Control District and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy. The Conservancy was created by the California legislature in 1999 and it is one of eight conservancies in the California Resources Agency. Their mission is to preserve open space and habitat in order to provide for low-impact recreation and educational uses, wildlife habitat restoration and protection, and watershed improvements within our jurisdiction.

b. Grant Awards

Initially only the Watershed Conservation Authority's proposal was eligible for a grant award. However, after extensive campaigning by many organizations and individuals, the total planning grant amount available for all applicants in the State was increased from approximately \$12 to \$15 million allowing for the City of Los Angeles' and the Santa Monica Bay Restoration Authority's proposals to also be eligible for a grant award.

As a result, the State Department of Water Resources proposes to award a \$1.5 million planning grant to the three eligible regions with the condition that a

single IRWMP be prepared that covers the areas in the City of Los Angeles, the West Basin Municipal Water District, the Watershed Conservation Authority, and the Santa Monica Bay Restoration Authority proposals. Additionally, the State asked that the San Gabriel Valley Municipal Water District be invited to participate in the development of the single IRWMP.

Proposition 50, Chapter 8 requires that IRWMPs be adopted by January 1, 2007, for projects to be eligible to receive implementation grants. A decision of which projects are eligible for implementation grants will be made in early 2006. The regions that have been combined to develop the single IRWMP are eligible to receive a maximum of \$50 million in implementation grants. However, the State has indicated that realistically the amount of implementation grants that may be awarded would be in the range of \$20 to \$30 million maximum.

c. Development of the IRWMP

To develop the single IRWMP, five Subregional Steering Committees will be created to guide the planning effort within each region. The lead agencies for those regions are the City of Los Angeles, the West Basin Municipal Water District, the Watershed Conservation Authority, the Santa Monica Bay Restoration Authority, and the Main San Gabriel Basin Watermaster. Originally the San Gabriel River and Lower Los Angeles River Watersheds was a single region but it was recently divided into two regions to streamline the planning efforts in those watersheds.

A Leadership Committee will oversee the subregions to guide the overall development of the IRWMP.

One consultant firm with an appropriate team is to be awarded a contract to develop the IRWMP. The County Flood Control District will act as the Program Manager of the consultant firm with the Central and West Basin Municipal Water Districts acting as the contract administrator.

d. IRWMP Objectives

The IRWMP will be developed to meet the requirements of Chapter 8 and to address broad water quality and water supply needs of the four regions. The IRWMP will identify quantifiable regional objectives and a comprehensive set of water management projects/programs that are integrated across the greater Los Angeles County region and that integrate multiple water management strategies to meet those objectives. The proposed projects would then be leveraged to attract local, state (beyond Proposition 50) and Federal funding.

The IRWMP will also be used as the technical document in support for a voter-approved stable and long-term multibillion dollar funding measure to finance the construction and maintenance of projects that address water quality and provide other benefits.

5. Obtaining Support For a Stable and Long-term Surface Water Quality Funding Mechanism

Obtaining the public's support for a funding measure is a challenging, costly and lengthy process but, by following the steps of other successful measures across the country, the chances for approval of a measure by the voters in Los Angeles County can be highly increased.

Following is a description of those steps and tasks:

a. Development of the Benefits Report

Obtaining approval of a funding mechanism involves extensive amount of upfront work including developing of the Benefits Report to clearly and to the point substantiate the necessity for the additional revenue and to describe the tangible benefits that the public will receive. It is important that this report be as specific as possible to maximize support for the funding measure.

Development of the Benefits Report should be through an iterative process involving elected officials, constituents, environmental organizations, business leaders and business associations, and other stakeholders. The end result will be a report that has been built on input and consensus from the public, with obstacles and opposition issues that would prevent its approval having been addressed.

b. Thorough Assessment of Existing Operations

The public demands that government be accountable as to how they spend existing revenue. Therefore, it is important that prior to a measure for approval by the voters, governmental organizations document the efficiency of their existing operations, as well as demonstrate where improvements can be made and costs be reduced. The intent is to show the public that every effort has been exhausted utilizing existing revenue streams before requesting their support for a new funding measure to address water quality. Governmental agencies should perform the following:

- Document the set of capital improvement projects that have been completed with existing funding sources and how existing funding has or will be exhausted.
- Conduct an honest and open appraisal of current operations and practices.
- Evaluate how is the job done or not getting done.
- Evaluate the organizational structure and determine if changes could be made to make it more efficient and effective.
- Identify where costs can be cut.
- Evaluate if revenues are being used effectively and are being maximized.
- Identify other areas where efficiencies can be made.

The results of this assessment and the steps that will be taken to achieve results needs to be part of the Benefits Report. This would show the public that governmental agencies are serious about improving water quality through cost-effective efforts.

County departments are making initial progress integrating Results Based Budgeting as a means to show the public that results and efficiencies drive the County budgeting process. Beyond this process the Chief Administrative Office could work with all County departments to identify funds and mechanisms that can help meet water quality. Mechanisms could include specific ordinances to place conditions on development, having departments work together to integrate projects to meet water quality and provide other benefits, and using available resources to educate the public as to how they can make a difference in addressing water quality. It is important to note that improving water quality and complying with water-quality regulations is the responsibility of all County departments.

c. Public Education and Support

Voters will only approve measures for additional revenue when they believe the government is responding to their specific demands and is providing the public with solutions that provide tangible community benefits. Any effort to bring additional revenue will be unpopular and may not be approved by the voters without sufficient public and political support. Therefore, the key to success will be through educating the public and by obtaining their support.

People are more aware of the issues facing the environment. According to a survey published by the Public Policy Institute of California in November 2003, the vast majority of Californians say that the condition of the ocean and beaches is personally important to them. Also, over half of the residents believe that the quality of the ocean along the shoreline has deteriorated in the past two decades. In Los Angeles County, approximately 65 percent of the voters supported the most recent Statewide water and park bond measures, Propositions 40 and 50.

Therefore, it appears that there is some level of understanding of the issues but what may not be understood are the costs associated with improving the quality of water. However, it is important that approval from the voters should not be on the basis that jurisdictions need to comply with regulations and that there is not enough money to do the job. Obtaining approval should be through an educational process that the end result would be that the public understands the benefits of having cleaner water, that the economy and vitality of the environment depends on cleaner water, that the program to manage stormwater is vital and it is being provided at the lowest cost possible, and to obtain the results will be expensive but the cost of paying additional fees, assessments, or some other funding mechanism is relatively small in relation to the benefits to be received. In essence, that there is or will be a real crisis and that it is expensive to address the crisis.

Educating the public, stakeholders, and the opposition and garnering their support should be through an iterative process that includes the following:

- Impartial opinion surveys and focus groups

This is necessary to understand the public's awareness of the issues, solutions, their biases, funding priorities, what they are willing to support (fee, assessment, etc.) and how much they are willing to spend.

Results can be used to define and refine a funding measure, address priorities, and would help develop and implement future education and outreach efforts.

- One-on-one interviews

These interviews would target specific stakeholders including elected officials, environmental organizations, community and homeowner groups, businesses, and special interest groups. The intent of the interviews would be to obtain more personal and unbiased opinions on funding measures, benefits, projects, etc. Along with the surveys, the interviews would provide more input that would allow for refinement of the Benefits Report before it is presented formally to the public.

- Public workshops

The workshops would be used to introduce a more refined Benefits Report to the public and to encourage their input. The workshops would be provided throughout the County on several occasions to ensure maximum exposure and input.

- Task force/watershed forums

The forums would gather community leaders and watershed stakeholders to discuss recommendations in the Benefits Report following input from the public workshops. The forums would be used to obtain more detailed input and to address specific issues by watershed.

- Public outreach

The outreach would take place throughout the entire process and would be a continuous educational effort. This would include different types of media pieces and activities including brochures, newsletters, web sites, video presentations, public speaking presentations, public service announcements, press releases, newspaper articles, media packets, etc. It is important to note that this outreach is intended to educate the public as well as representatives of the news media such as reporters and editors of the effort to develop the

IRWMP, the Benefits Report and to obtain support for the efforts. An educated news media is less likely to print sensational negative articles on an effort that would be a benefit to the public.

- Elected officials

Education and outreach on the benefits and costs of the proposed funding measure will be critical to develop support from the elected officials representing all 88 cities within the County, as well as Board members of other stakeholders including water districts, sanitation districts, etc. Outreach is recommended to occur in existing venues such as the Southern California Association of Governments and through Council of Governments.

At this time, Lewis & Company, a private consulting firm, is proposing to finance the cost of an initial focus group/survey. It is important that this work be coordinated with the Education and Outreach Committee of the Workgroup to make sure that the process is open to suggestions and that results be made available to Workgroup participants.

d. Election Day For A Ballot Measure

The best day to go to the ballot for a funding measure that requires approval by the general electorate is on a presidential general election since this is usually when there is the highest turnout of voters likely to approve a measure to improve the environment. The next presidential election is in November of 2008. However, funding mechanisms such as benefit assessments are submitted to voters through a mailed ballot and do not need to be tied to any election.

The timing of when voters are asked to approve a funding measure should consider that the IRWMP will not be completed until early 2007. Additionally, the Benefits Report will rely on the IRWMP and will probably not be completed for months after the IRWMP. As stated before, the Benefits Report is critical for presenting to the public the specific projects and programs and the benefits in support of a stable and long-term funding mechanism.

e. Consultant Support

Expert resources will need to be hired or organizations would need to provide in-kind services to develop reports and plans, provide education and outreach, and for developing and implementing strategies to address political issues.

Following is a general description of the resources and expertise that would be required:

- Resources to develop the IRWMP.
- Support for development of informational web sites, newsletters, and other media collaterals to educate the public as to the development of the IRWMP and the Benefits Report and the benefits to be derived from their implementation.
- Expertise is needed to develop a single clear message that would resonate with the public. The message would need to be compelling and consistent in getting the message across that the effort is about addressing stormwater quality and providing other benefits and not about raising fees, assessments or other revenue generating scheme.
- Public opinion survey services.
- Resources to provide technical and administrative support for the Workgroup.
- Financial expertise to develop an equitable formula and governance structure to allocate funds from a stable and long-term funding mechanism to projects and eligible organizations.
- Preparation of an Engineer's Report if a benefit assessment is the proposed funding measure.
- Political strategist to provide strategic and political direction during the development of the plans, media collaterals, and presentations to stakeholders, elected officials, and other interested parties.

At this time, the consulting firm of Brown & Caldwell is providing technical and administrative support services to the Workgroup through a contract with the City of Long Beach. Agencies have made commitments to paying for the cost of this support.

f. Budget

A comprehensive budget is necessary so that there is a clear understanding of the costs associated with the effort leading up to a ballot measure. The budget would also be used to identify which organizations and private entities can and should provide financial assistance for this effort. The budget is currently being developed by members of the Workgroup and the organizations developing the IRWMP.

g. Approval from the Board of Supervisors and Other Elected Officials

Approval from the Board to proceed with an effort that could lead to a ballot measure is a critical first step to getting support from other elected officials, stakeholders and the public.

To place a measure on a ballot would require educational and outreach efforts to elected officials to ensure that there is an understanding that there are real needs, that there is or will be a crisis, and that additional revenue is needed to address the

crisis. Additionally, elected officials will need to understand that the ballot measure will face many challenges, the process will be expensive and time consuming, and that most ballot measures fail the first time around.

The Board's September 13, 2005, unanimously approved motion has provided tremendous momentum for the funding measure effort and for development of the plans and reports that are necessary for its success.

At this time, the Workgroup is developing strategies to expand its current education and outreach efforts to all cities in the County. This could include initial presentations to Council of Governments and then individual presentations or workshops with officials as necessary. Additionally, elected officials and their staff would be encouraged to participate in activities of the Workgroup. This effort would also be used to generate financial or other resource support for the Workgroup.

h. Champion for the Cause and Political Action Committee(s)

A champion or champions for the cause will be one of the most critical persons necessary to deliver the message to the public and for garnering support for a ballot measure. For success the champion should have the following qualifications:

- A recognizable household name.
- Should not have a political interest.
- Should come from the private sector so that elected officials are not taking the lead on raising fees, assessments, etc. Additionally, coming from the private sector would add credibility by being able to deliver a taxpayer-to-taxpayer message.
- Be able to make the necessary time commitment to the campaign.

Along with a champion, one or more political action committees would be necessary to carry out and manage a campaign to advocate support for the ballot measure and to raise funds for the campaign. The campaign may include press releases, news conferences, television and radio advertisement, articles in periodicals, newsletters and web sites. This would be a costly but necessary endeavor to have a successful ballot measure. It is important that environmental organizations, nongovernmental entities and private businesses be encouraged to participate in this effort to add credibility to the process.

The Workgroup will be developing strategies to recommend a champion and an organization that can accept the responsibility for forming one or more political action committee that would be advocating a position for the funding measure. The political action committee(s) would develop their own strategies to raise funds and to provide support for the measure.

i. Summary of Steps and Tasks

The following table provides a summary, a checklist, of the above described steps and tasks that if properly carried out could lead to a successful ballot measure:

Steps and Tasks for Success:	
Conduct public opinion surveys.	✓
Conduct agency self-assessment and implementation of cost reduction measures.	✓
Identify multi purpose projects that meet the needs, goals and provide tangible benefits.	✓
Develop a clear and simple technical plan/study that includes the issues, projects, programs, cost, funding, etc.	✓
Involve stakeholders (politicians, businesses, environmental organizations, community leaders, etc.) in the review and development of the technical plan/study.	✓
Develop and carry out a public education campaign on the issues, solutions and benefits.	✓
Develop and carry out a strong media campaign that includes support coalitions and one or more champions for the cause.	✓
Obtain approval from elected officials.	✓
Implement plan, project and funding oversight committees.	✓
Identify and hire the necessary experts to provide assistance in carrying out the tasks.	✓
Identify non-governmental organizations to raise funds for campaigning and to support the initiative.	✓
Place the measure in a presidential election.	✓

6. Stable and Long-term Surface Water Quality Funding Mechanisms

A Preliminary Analysis

The Funding Committee of the Workgroup, which is chaired by the City of Los Angeles, is responsible for preparing a report that would evaluate various funding options. Exhibit 3, "Evaluation of Watershed Management Funding Options For Los Angeles County," is the first draft of this report.

The intent of this report is to evaluate options that would meet the criteria for a stable and long-term funding mechanism that would finance the construction of projects and their operations and maintenance once constructed. The report does not specifically recommend one option but instead identifies what options meet the criteria and their advantages and disadvantages.

At this time, the report is being reviewed by the Workgroup, the Chief Administrative Office, the Department of Public Works and other interested parties. Comments would be appreciated to expand and/or modify options presented in the report so that a comprehensive study of options would ultimately be available.

7. Multi-Purpose Projects

Organizations that participate in the Workgroup acknowledge that one of the primary reasons they have come together and remained focused is their understanding that they have no existing revenue sources to address emerging water-quality regulations, specifically, compliance with Total Maximum Daily Load (TMDL) regulations. A TMDL specifies the maximum amount of a pollutant that a waterbody can receive and still meet water-quality standards. They also acknowledge that projects that just address water quality could result in missing opportunities to provide other benefits, would be an inefficient use of resources, may significantly increase the local funding needed because State and Federal funding will not be attracted, and would most likely not be supported by the many stakeholders that would need to support a ballot measure. Instead, multi-purpose projects will be identified through the IRWMP that in whole or in parts provide water-quality benefits and reduce pollutant loads to the impaired waters of Los Angeles County to meet water-quality standards and that would also provide other tangible community benefits such as wildlife and riparian habitat restoration, water supply, flood control, recreation, open space, wastewater management, and wildlife habitat restoration.

The Sun Valley Watershed Plan presents probably the most notable example of multi-purpose projects. Exhibit 4 provides an overview of the plan and projects.

8. Los Angeles Regional Watershed Infrastructure Funding Workgroup

Current and future activities and strategies of the Workgroup are mentioned in this report. The Workgroup has taken on the task of researching, educating, and bringing organizations and individuals together to work cooperatively to address water-quality issues, is working with the planning regions to develop the IRWMP, and continues to develop strategies that could ultimately result in a successful ballot measure. The mission statement of the Workgroup clearly describes the purpose for its existence:

"The mission of the workgroup is to work cooperatively to complete an integrated long-term regional watershed management plan for Los Angeles County by 2007 and develop the information needed to support a voter-approved funding mechanism by 2008 to implement the plan."

The Workgroup can be of great benefit to the Board of Supervisors by acting as an independent and neutral organization since it is made up of community leaders which represent a broad cross section of the local community. It can review reports and recommendations prepared by government agencies and provide unbiased and neutral information and credibility to the Board for their consideration of a ballot measure. Recommendations or input from this body will lend increased credibility to any recommendations of the County departments and the Board.

Organizations and individuals have praised the Workgroup for the level of collaboration that has taken place so far, for the open and honest discussions and recommendations among the participants and for the level of commitment shown by the participants. Exhibit 5 is a list of the persons and organizations that attended the September 22, 2005, meeting of the Workgroup.

EXHIBIT 1

**Board of Supervisors Motion
September 13, 2005**



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Chief Administrative Officer

At its meeting held September 13, 2005, the Board took the following action:

2

Supervisor Yaroslavsky made the following statement:

"Stormwater and urban water runoff drain into the flood control system, waterways, and ultimately into the ocean with virtually no treatment. The runoff deposits trash, bacteria, and other pollutants into these waters negatively impacting the economy of our communities and the vitality of Los Angeles County's environment. The County, the City of Los Angeles, and other cities within the County are seeking to construct local and regional watershed management projects that can remove pollutants from runoff and also provide other benefits such as water reuse and storage, recreation opportunities, flood control, open space and habitat restoration which are essential to ensure a healthy environment for our residents. Such projects are also necessary to address the Countywide mandates of the Federal Clean Water Act's National Pollutant Discharge Elimination System Permit (NPDES) and Total Maximum Daily Load limits.

"Current funding is extremely limited. A stable and long-term Countywide funding mechanism needs to be established to construct, maintain and operate local and regional watershed management projects.

"As a leader in integrated watershed management for the region and as the Principal Permittee for the County NPDES permit the County should lead the region in a Countywide initiative to identify projects that would provide tangible water quality and multiple use benefits, and to enact the most appropriate funding mechanism."

(Continued on Page 2)

2 (Continued)

Mark Pestrella, Assistant Deputy Director, Watershed Management Division, Department of Public Works, responded to questions posed by the Board.

After discussion, on motion of Supervisor Yaroslavsky, and by common consent, there being no objection, the Chief Administrative Officer, with assistance from the Director of Public Works, County Counsel and other appropriate County departments, was instructed to report to the Board within 30 days with recommendations on how best to implement a stable and long-term regional funding mechanism that would finance the construction, operation and maintenance of local and regional projects that address water quality and provide other multiple benefits, with consideration to be given to the issuance of bonds, the establishment of assessment districts or increases in current assessments, and the potential for enacting State legislation to accomplish the foregoing, as well as to the establishment of lists of projects to be completed in all parts of the County and to the costs and timing of any necessary ballot measure.

06091305_2

Copies distributed:

Each Supervisor
County Counsel
Director of Public Works

EXHIBIT 2

Integrated Regional Water Management Plan

EXHIBIT 2

INTEGRATED REGIONAL WATER MANAGEMENT PLAN

Proposition 50

The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) provides a total of \$3.4 billion in bond funds. The grant money is divided among seven different chapters including: Water Security (Chapter 3), Safe Drinking Water (Chapter 4), Clean Water and Water Quality (Chapter 5), Contaminant and Salt Removal Technologies (Chapter 6), CALFED Bay Delta Program (Chapter 7), Integrated Regional Water Management (Chapter 8), Colorado River (Chapter 9), and Coastal Watershed and Wetland Protection (Chapter 10).

Guidelines and criteria for each grant chapter are established separately or jointly by the Department of Water Resources (DWR), Department of Health Services (DHS), and the State Water Resources Control Board (SWRCB). These agencies also evaluate grant proposals and award grants to qualifying applicants.

Chapter 8

The intent of the Integrated Regional Water Management (IRWM) Grant Program is to encourage integrated regional strategies for management of water resources and to provide funding, through competitive grants, to develop integrated water management plans and implement projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. The IRWM Grant Program is administered jointly by DWR and SWRCB and is intended to promote a new model for water management. A total of \$500 million is available under Chapter 8 for IRWM plans and projects.

Grant Applications

The City of Los Angeles, the West Basin Municipal Water District, the Watershed Conservation Authority, and the Santa Monica Bay Restoration Authority are the lead agencies for the four major planning regions in the County. These organizations, along with the County Department of Public Works/Flood Control District, and hundreds of other stakeholders worked cooperatively to develop four draft IRWMPs and planning grant applications in accordance with the requirements of Proposition 50 Chapter 8. The four plans cover the majority of the Los Angeles basin except for a portion of the Santa Clara River Watershed within Los Angeles County that may or may not be included in Ventura County's planning effort. A draft IRWMP and planning and implementation grant applications were not developed for the Antelope Valley. Exhibit A is a map of the planning regions.

The City of Downey and the San Gabriel Valley Municipal Water District also applied for Proposition 50 Chapter 8 planning grants. The planning areas of these applications were much smaller than those of the four major IRWMPs areas.

Grant Awards

Initially there was \$12 million available in planning grants for the entire State. Based on the initial grant recommendations only the Watershed Conservation Authority would have received a planning grant.

The initial recommendations showed tremendous inequity between Northern and Southern California (75 percent versus 25 percent) in total dollars recommended for award. Such a funding discrepancy contrasted with four important points:

- (1) Language in the relevant Water Code section that identifies not less than 40 percent of the funds available through the Integrated Regional Water Management program be provided to Southern California;
- (2) The population difference and water supply needs between Northern and Southern California;
- (3) The substantial population of Southern California and, in particular, the population density of urban Los Angeles County creates a tremendous need for integrated water management planning;
- (4) The voters of Los Angeles County who voted 65 percent in favor of Proposition 50, which was instrumental in its passage.

Additionally, the development and adoption of IRWMPs is a requirement for qualifying and, potentially, receiving grant funding to implement projects. The three major planning regions not recommended for planning grants may have not gone forward with their planning efforts without the financial support to prepare the IRWMPs. As a result, many projects with potentially great benefit to the State and to the integrated water management program may have not had a chance to be developed.

Most importantly, the four major regions recognized that this planning effort is necessary to provide the technical basis for a voter-approved stable and long-term multibillion dollar funding measure for Los Angeles County to finance projects that address water quality and provide other benefits. Projects described in the IRWMPs would be implemented with approval of such a funding measure. This effort is in line with the September 13, 2005, Board motion requesting the Chief Administrative Office along with Public Works, to identify how best to implement such a measure as well as the establishment of lists of projects to be completed in all part of the County.

After a tremendous campaign effort by many organizations and individuals using the points stated above, the State increased the amount of planning grant dollars by approximately \$3 million. This resulted in three of the four major regional water management areas being awarded grants to develop IRWMPs. The total grant award

for the three regions is \$1.5 million. DWR will award this grant with the condition that the four major regions work jointly to develop one IRWMP for the Los Angeles basin region instead of four individual plans. Additionally, the San Gabriel Valley Municipal Water District would be invited to participate in the development of the single IRWMP.

Proposition 50, Chapter 8 requires that the IRWMP be adopted by January 1, 2007, for projects to be eligible to receive implementation grants. A decision of which projects are eligible for implementation grants will be made in early 2006. The four combined regions are eligible to receive a maximum of \$50 million in implementation grants. However, the State has indicated that realistically the amount of implementation grants that may be awarded would be in the range of \$20 to \$30 million maximum.

Development of the IRWMP

Proposition 50 Chapter 8 requires that IRWMPs be adopted by January 1, 2007, in order for eligible projects to receive implementation grants. Because of the tremendous effort necessary to prepare a single IRWMP for the Los Angeles basin in such a short time frame, the Central and West Basin Municipal Water Districts volunteered to issue a Request for Proposals and enter into a contract with the most qualified consultant team to prepare the IRWMP. The Districts' process allows the award of a contract in mid December 2005 instead of February or March 2006 for other agencies.

Initially the single IRWMP would integrate the water management needs of the four major regions. However, to streamline the planning efforts, the San Gabriel and Lower Los Angeles River Watersheds was recently divided into two planning regions. The five planning regions will now be considered "sub-regions" and collectively the Los Angeles County Region (LACR). Although a single plan will be developed, it must focus on each sub-region's unique characteristics, address Chapter 8's requirements and highlight the region's statewide significance. At this time, the agencies leading the planning efforts in each sub-region is as follows:

Sub-region	Lead Agency
North Santa Monica Bay Watershed	Santa Monica Bay Restoration Authority
Upper Los Angeles River Watershed	City of Los Angeles
South Bay Watershed	West Basin Municipal Water District
San Gabriel River Watershed	Main San Gabriel Basin Watermaster
Lower Los Angeles River Watershed	Watershed Conservation Authority

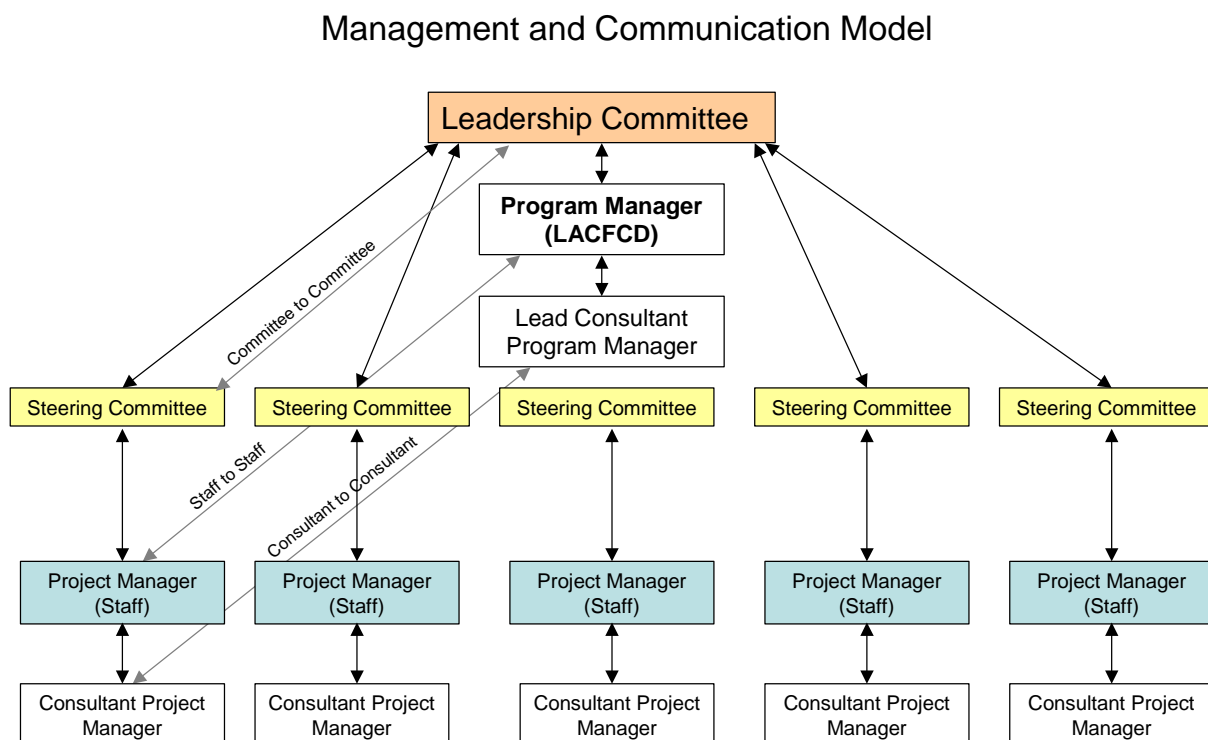
To date, a substantial amount of research, planning, and project development and prioritization has taken place in the LACR and continues to the extent possible as facilitated by the stakeholders in each sub-region. However, many of these activities have not been integrated either across the LACR or have addressed multiple water management strategies. Building upon this work, the agencies and stakeholders in the LACR will prepare an IRWMP with the understanding that through regional integration, more cost effective and broader-reaching water management solutions can be developed and implemented.

Program and Project Management

Within the LACR, there currently is or will be a Sub-regional Steering Committee established for each sub-region tasked with being the decision-making body for its respective watershed(s). Each Steering Committee consists of representatives from various participating agencies and organizations who would, in turn, appoint representatives to a regional Leadership Committee tasked with making decisions for the entire LACR. The Sub-regional Steering Committee will include Water Management Focus Groups (sub-committees) formed around water management focus areas and will be comprised of stakeholders who will assist with technical input and the integration of water management strategies during the development of the IRWMP.

The County Flood Control District will serve as the overall Program Manager for the development of the IRWMP overseeing the integration of the sub-regional efforts led by their respective Project Managers. The Central and West Basin Municipal Water Districts will serve as the contract administrator and fiscal agent for the consultant contract.

The following diagram shows the management and communication relationship between the committees and project managers.



Each Steering Committee will assign a Project Manager to direct the consultant's Project Manager

IRWMP Objectives

The single IRWMP will be developed to meet at a minimum the requirements of Chapter 8 and to also address broad water quality and water supply needs. In general, the objectives for the IRWMP are:

- Develop quantifiable regional objectives based on steering committee and stakeholder input for water quality, water supply, recreation, flood control, etc.
- Develop a comprehensive set of water management projects/programs which are integrated both across the LACR and integrate multiple water management strategies, meet quantifiable regional objectives, and that can be leveraged to attract local, state and federal funding.
- Develop a comprehensive set of water management projects/programs which are integrated both across the LACR and integrate multiple water management strategies that specifically address gaps in meeting quantifiable regional objectives.
- Develop a benefit-cost analyses methodology to evaluate each project/program for their effectiveness in achieving the quantifiable regional objectives.
- Identify new stakeholders in the LACR that can contribute to the development of the IRWMP and for further involvement in regional activities.
- Reach out to include disadvantaged communities in the process, identifying opportunities for projects to provide benefits.
- Maximize funding opportunities through Proposition 50, Chapter 8 and other potential funding sources in a manner that is cost-effective to the LACR's stakeholders.

IRWMP Contract Schedule

The schedule for consultants to develop proposals and for the award of a contract is:

- November 18, 2005 -- Deadline for submission of Proposals
- November 23, 2005 -- Consultant Interviews
- November 30, 2005 -- Contract negotiations
- December 19, 2005 -- West and Central Basin Municipal Water Districts' Board Meeting for contract approval

EXHIBIT A

Map of the Integrated Regional Water Management Planning Regions

Los Angeles County Integrated Regional Water Management



EXHIBIT 3

Evaluation of Watershed Management Funding Options

EXHIBIT 3

LOS ANGELES COUNTY WATERSHED FUNDING WORKGROUP

**EVALUATION OF WATERSHED MANAGEMENT FUNDING OPTIONS
FOR LOS ANGELES COUNTY**

September 22, 2005

Prepared by

**City of Los Angeles
Bureau of Sanitation**

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LOS ANGELES COUNTY WATERSHED FUNDING WORKGROUP
EVALUATION OF WATERSHED MANAGEMENT FUNDING OPTIONS
FOR LOS ANGELES COUNTY

September 22, 2005

EXECUTIVE SUMMARY

This report was prepared by the Funding Subcommittee of the Los Angeles County Watershed Funding Workgroup (comprised of representatives from various cities, the County Public Works Department, environmental and industry groups and other stakeholders within Los Angeles County) and is intended to evaluate sources of funding for watershed management needs on a Countywide basis. The report expands upon the "Stormwater Quality Needs Funding Options and Implementation Tasks" report prepared in 2003 by the County Department of Public Works. Below are the most important of the funding sources considered in this report:

Property Tax. This tax is based on the assessed valuation of property multiplied by an annual tax rate and could be used to fund debt service on capital projects.

Parcel Tax. This is a tax on property that is not based on assessed valuation. It is often levied as a flat amount per parcel. Parcel tax receipts could be used to fund operations and maintenance.

Special Purpose Local Sales Tax. This is a tax imposed on the purchase of tangible goods and could be used to fund both capital and operations and maintenance.

Surcharge on Vehicle License Registration. This would be added to vehicle license and registration fees and could be used to fund both capital and operations and maintenance. Special legislation would be required before such a fee could be imposed.

Gasoline Tax Surcharge. This is an excise tax levied on each gallon of fuel sold and could be used to fund both capital and operations and maintenance.

Benefit Assessment. This is a charge upon real property that could be used to fund both capital and operations costs, provided that the funds are used to provide a special benefit to the property and not a general benefit to the public.

Service Fee. This is charged to beneficiaries of the service. Property owners therefore pay in proportion to their contribution of runoff pollution. The fee could be used to fund both capital and operations and maintenance.

Grants. These are free awards from the state or federal governments to cover the costs of capital projects.

The County may wish to vary a watershed management fee, assessment or tax by watershed, in consideration of the varying costs of the projects in the different watersheds. It is proposed that a funding source be selected that would allow the County to reduce the amounts paid by residents in cities with their own funding sources, so that

the total payments are the same throughout the County or watershed. With all residents paying the same, there would be no need to distribute the funds in proportion to the cities' contribution of funds. The funds would be distributed to those projects with the greatest impact on pollution, regardless of location. The following criteria are used in evaluating the alternative funding sources:

- **Equity.** Do those who contribute pollution pay for watershed management in proportion to their contribution?
- **Administrative cost.** Is there an existing collection system in place, allowing reasonable additional administrative costs for collecting the revenue?
- **Availability of funds.** Will the funding sources providing sufficient funds for the program?
- **Implementation feasibility.** Will the funding sources fit well with the existing funding sources of the various cities? Can the funding sources be varied among watersheds in the County?
- **Stability of revenue.** Will the revenue stream be dependable?
- **Adoption requirements.** What are the voting requirements and legislation required to implement the funding sources?
- **Flexibility.** Can the sources fund the different types of capital and operations costs?

In the absence of cost data on the capital projects to be funded, the report examines six categories of likely projects and assigns possible sources of funding for both capital and operations and maintenance for each category. The report also examines possible funding sources for current watershed management activities of the County and cities. The report evaluates how well the funding sources provide a “nexus” between those who contribute to the runoff pollution problems and how much they pay to correct the problem. The advantages and disadvantages of the fund sources are evaluated in detail.

This report proposes that three of the funding sources be considered (summarized in Table ES.1 below) as promising for funding most of the cost of the watershed management program. They are property taxes for capital coupled with parcel taxes for O&M cost, benefit assessments and service fees. All three sources have relatively low administrative costs and can provide sufficient funds for the entire watershed management program.

Table ES.1
Comparison of the Three Best Funding Alternatives

Funding Source	Equity	Implementation Feasibility	Stability of Revenue	Adoption Requirements	Flexibility
Bonds and Property Tax for Capital, Parcel Tax for O&M	They make all people pay for runoff from public places and would be appropriate for funding the general benefits of multipurpose projects. Poor nexus between payment and runoff from	Parcel taxes cannot be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. Parcel taxes could not vary between	Property tax revenues could be reduced somewhat if falling property values force the County to lower assessed	Requires 2/3 vote.	Can cover all types of costs.

Funding Source	Equity	Implementation Feasibility	Stability of Revenue	Adoption Requirements	Flexibility
	private properties. These funding sources cannot be used to charge public property, churches and other tax-exempt properties.	watersheds.	valuations. Parcel tax revenues are stable.		
Benefit Assessment	Good nexus between payment and contribution to runoff from private property. Must assume that responsibility for runoff from streets is proportional to runoff from private property.	Can be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. Assessments could vary between watersheds.	Revenues are very stable.	Requires half of weighted vote of property owners. Large properties could threaten the vote.	Cannot cover the costs of general benefits.
Service Fee	Good nexus between payment and contribution to runoff from private property. Must assume that responsibility for runoff from streets is proportional to runoff from private property.	Can be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. The fees could vary between watersheds.	Revenues are very stable.	Requires either half of unweighted vote of property owners or 2/3 vote of the general electorate.	Cannot be used for general government services, but will likely cover more than assessments.

This paper does not recommend a single best funding source for watershed management. The advantages and disadvantages of the alternative sources are presented in this paper so that policy-makers can decide among them. The sources are not mutually exclusive. They can be combined, if desired, to cover different types of projects and costs. It is recommended that construction grants, MWD operating subsidies, Corps of Engineers participation, water sales revenues and participation by water utilities be pursued as they may be available.

SECTION 1. INTRODUCTION

The Los Angeles County Watershed Funding Workgroup, a committee sponsored by the American Society of Civil Engineers (ASCE), is comprised of representatives of various cities, the County Public Works Department, environmental and industry groups and other stakeholders within Los Angeles County. The workgroup is working cooperatively to prepare a long-term regional watershed management master plan for Los Angeles County by 2007 and to develop the information needed by policy-makers to select a voter-approved funding mechanism to implement the master plan projects. The Workgroup's goal is for the voters to approve the funding mechanism by 2008. The Workgroup is comprised of the Funding, Steering, Outreach Education and Plan Development Subcommittees.

This paper was prepared by the Funding Subcommittee and is intended to evaluate several alternative sources of funding the County's watershed management needs, expanding upon the "Stormwater Quality Needs Funding Options and Implementation Tasks" report prepared in 2003 by the County Department of Public Works. This report presents a qualitative, not a quantitative, analysis of the possible funding options, because cost data will not be available until the end of 2006. The report considers funding watershed management efforts in the County, not the flood-control responsibility of the County Flood Control District or of the cities.

The cost to meet the evolving and stringent stormwater and urban water runoff regulations continues to increase. The costs to develop, construct, and maintain these projects are anticipated to be in the hundreds of millions of dollars per year. Also, there is a demand that the projects provide other benefits, such as flood protection, water supply, recreation, open space, wastewater management and wildlife habitat restoration. Therefore, identifying a stable and long-term revenue source to finance these multiple benefit projects and to help address regulations are a critical priority for the County, cities, state and federal governments, water and sanitation agencies and other organizations that have an interest in improving the quality of the environment for residents in the County.

Nationwide, several approaches to funding either are in use or contemplated, the most prominent of which are property-related fees and assessments. In California, the biggest obstacle to any funding method based on parcel ownership is getting voter approval. This approval is now required under Articles XIII C and D of the State Constitution, as a result of Proposition 218, which was approved by voters on November 5, 1996. This proposition imposed landowner approval procedures for assessments on real property and for fees imposed "incident of real property ownership." The proposition also placed restrictions on the use of taxes, assessments and fees, making a distinction between general taxes that are not covered by the Proposition, "general benefits" that cannot be assessed against real property and "special benefits" that can be assessed.

This report discusses the steps needed for the various funding sources to be adopted, such as legislation and voting, and issues that would affect public acceptance of the

funding sources, such as equity. However, it does not attempt to gauge the public's acceptance of the funding sources. Polling data will be needed to estimate the likelihood that each funding source would be accepted and adopted.

A number of possible funding sources for watershed management projects and activities are introduced and evaluated in this report. Section 2 describes the various sources of funding evaluated in the report. Section 3 discusses technical and administrative considerations in the implementation of the funding sources, as well as the criteria used to evaluate the funding options. Section 4 groups the anticipated projects into broad categories and then evaluates their possible funding sources from the perspective of equity. Section 5 summarizes existing watershed maintenance operation and maintenance (O&M) activities, which costs may have to be incorporated into any future funding mechanism. Section 6 develops the advantages and disadvantages of the various funding sources. Section 7 summarizes the proposed choices of possible funding sources.

SECTION 2. DESCRIPTION OF FUNDING SOURCES

Following are descriptions of the funding sources that are evaluated in this report. These do not include all of the sources discussed in the 2003 County report, omitting those sources that 1. are applicable only for localized areas, such as Mello Roos taxes, 2. are methods of borrowing funds, but do not actually provide revenues to pay debt service or other costs, and 3. are anticipated to be impractical.

Ad Valorem Property Tax

Property, or Ad Valorem, taxes are based on the assessed valuation of property, multiplied by an annual tax rate. Because of Proposition 13 in 1978, the valuation can increase a maximum two percent per year, unless the property is sold. In that case, the valuation is reset to reflect the sales price. The valuation can be reduced if property values fall and the owner petitions the County. State law provides certain exemptions from property taxes, including government-owned, non-profit, educational, religious, hospital, charitable and cemetery properties.

The property tax is an example of a "general" tax, which proceeds are placed in a city's or county's general fund and used for general government purposes. Special districts cannot levy general taxes. Proposition 13 limits the property tax to one percent of the assessed valuation as a general tax levy, plus an additional tax to pay debt service on bonds approved by the voters. It is very unlikely that the County will be able to fund any of its watershed management program from revenues of the one-percent general tax levy, because the revenues are sorely needed for general County and city purposes. However, the voters could be asked to approve the issuance of bonds to fund the capital needs of the program, with debt service paid from additional property tax. The feasibility of this was demonstrated when City of Los Angeles voters recently approved Proposition O. A two-third's vote of the general electorate would be needed to approve the bonds. Bonds can

only be used to fund capital projects and do not provide the funds for operating the facilities once they are constructed.

If the County's property tax rate were increased by one-half percent of the general tax levy, then the County would receive \$41,000,000 per year to pay for debt service on the bonds. The average single-family property, assessed at \$260,000, would pay \$13 per year additional tax for the debt service.

Parcel Tax

While capital needs could be funded by bonds and property taxes, operation and maintenance needs could be funded by special taxes on properties in the County, often called "parcel taxes." These taxes can be imposed by cities and special districts, but require a two-third's vote for approval. The taxes are often used to fund general services such as public safety, parks, libraries, and open-space protection. In recent years, parcel taxes have been increasingly used to fund school district operations because the legislature reduced the voting threshold to 55 percent for education. Parcel taxes are popular for these types of general services also because Proposition 218 prohibits their funding by property-related assessments and fees.

Parcel taxes are most often levied as a flat amount per parcel, though an amount per square foot or some other calculation of the tax is possible. An annual inflation adjustment can also be incorporated in the formula. The rate must be applied evenly throughout the County or District; no authority is given for zones with different tax rates. Parcel taxes could be levied for any specific period or permanently if the voters would allow it.

Santa Clara Valley Water District implemented a parcel tax costing each single-family homeowner \$39 a year to fund watershed protection projects. The assessment was approved by voters in 2000 and will be in effect for fifteen years. The funds will be used for flood protection, pollution reduction and providing recreation and open space. The assessment is based on the acreage of the properties and varies by watershed. Industrial and commercial properties pay more per acre than residential, reflecting their greater potential for discharging runoff and pollutants. A Los Angeles County per-parcel tax of \$39 per year would provide \$101,000,000 per year to fund watershed management operations.

Special Purpose Local Option Sales Tax

In California, a sales tax is imposed on retailers selling tangible goods. An equivalent "use" tax is imposed on users of products purchased out of state but brought into California to be used. The use tax provides much less revenue than the sales tax, partly because use taxes are difficult to collect. A number of sales are not taxed, such as food for home consumption, prescriptions, utilities and most services.

The minimum sales tax rate in California is 7.25 percent, of which 6.25 percent is collected by the State and 1.00 percent is used to fund city and county operations and local transportation. Cities and counties may also impose, in 0.25 percent increments, a maximum 2.00 percent local option sales tax. The maximum possible sales tax in California is therefore 9.25 percent, though no county's tax currently exceeds 8.75 percent.

In Los Angeles County, the sales tax rate is 8.25 percent. The local option sales tax is therefore 1.00 percent, including additional tax for transportation under Propositions A and C. Recently, an additional public safety sales tax failed to receive the necessary two-thirds vote. The County's local option rate can be increased by only 1.00 percent for all purposes, including public safety. The rate can only be increased by 0.50 percent without exceeding the rate in any other county in the State. If a quarter cent sales tax had been approved for watershed management in 2003, it would have generated approximately \$285 million per year.

Surcharge on Vehicle License and Registration Fees

A surcharge could be added to vehicle license and registration fees to fund watershed management in the County, based on the logic that much of runoff pollution arises from vehicles and streets. The California Department of Motor Vehicles would collect the surcharge for the County. Current state law allows air quality management districts to impose such surcharges to fund reduction of air pollution from vehicles. Special legislation would be needed for the County to impose a surcharge for watershed management purposes. A surcharge could provide considerable funds. For example, a \$10 per vehicle surcharge could provide \$65,000,000 per year, based on 6,500,000 registered vehicles in the County.

The County of San Mateo was recently given permission by the State to impose such a surcharge. Assembly Bill 1546, which allows the County to impose a \$4 surcharge, passed the Legislature in 2004 and took effect on July 1, 2005. The purpose of the fee is to help fund projects to reduce traffic congestion and stormwater pollution. The fees will be collected by the Department of Motor Vehicles with the annual vehicle registration renewal. Collection of the fees terminates on January 1, 2009. The bill requires that the fees collected may only be used to pay for programs bearing a relationship or benefit to the motor vehicles paying the fee.

The State Legislature recently approved Senate Bill 658, introduced by Senator Sheila Kuehl. The Governor has until October 9, 2005 to sign the bill. The bill would allow coastal counties, including Los Angeles County, to opt for a \$6 per year registration surcharge. The Department of Motor Vehicles would provide thirty percent of the proceeds to the County for projects that "prevent, reduce, remediate or mitigate the adverse environmental effects of motor vehicles and their associated facilities and infrastructure." The funds could be therefore be used for many of the County's watershed management projects, because so much of the runoff pollution comes from the vehicles and streets. The remaining funds would be provided to the State Coastal Conservancy for

its projects in the County. The County and Conservancy would be required to undertake audits of the projects and grant monies every two years. This report assumes that the Governor will not sign the bill due to the recent controversy surrounding the Vehicle License Fee.

Gasoline Tax Surcharge

Currently, taxes on gasoline and diesel fuel fund highway improvements in California. These are excise taxes assessed for each gallon of fuel that is sold. An additional per-gallon charge applicable in Los Angeles County could be used for watershed management, based on the logic that vehicles and streets are responsible for much of the runoff pollution. Special state legislation would probably be needed for the County to impose the surcharge. Based on an estimated gasoline usage in the County of 5,500,000 gallons per day, the watershed management program would receive \$20,000,000 per year for each cent per gallon surcharge.

Benefit Assessment

The current Flood Control District Benefit Assessment collects approximately \$108 million per year primarily to provide flood protection. Some of the revenue supports the District's efforts in meeting the NPDES permit and Total Maximum Daily Load (TMDL) water quality requirements. However, the amount will not be sufficient to pay for future water quality efforts. Moreover, the District does not cover the entire County and would not cover all the areas contributing polluted runoff.

There are two options for using a benefit assessment as a funding source. One option would be to abolish the current assessment and impose a new assessment that would cover all the costs of flood control and watershed management. Another option would be to retain the current assessment to cover flood control costs and another assessment to cover watershed management.

Establishing a new assessment would require the approval of a majority of returned ballots from property owners. However, the ballots would be weighted by the amount of the proposed assessment, so that larger property owners would have greater influence over the outcome of the balloting. Proposition 218 requires that assessments be used to provide a special benefit to the properties and not a general benefit to the public. A new assessment would therefore need to be structured to account for each property's contribution to runoff pollution, but could not be used for providing general benefit, such as purchasing parkland.

Service Fee

A service fee is similar to a benefit assessment, except that it is not necessarily property-related, but is charged to people who are beneficiaries of the service. However, in practice, a fee would probably be charged to properties on the County tax roll because of the low billing cost. One disadvantage of including the fee on the tax roll is that non-

taxable properties, such as churches and government facilities, would not pay for their share of runoff and pollution, unless separately billed. However, it is impractical to include the fee on water bills, because there are hundreds of different water purveyors in the County and not all properties have water service. It also would be difficult for the County to develop a separate billing database including non-taxable properties because of the complication and expense. The City of Santa Ana has such a database for “environmental” charges, but its use has proven to be problematic.

An important difference between a service fee and a property assessment is that, while the assessment must be approved by a simple majority of the assessment-weighted balloting of the property owners, a service fee could be approved by either a simple majority of property owners or by a two-thirds vote of the general electorate. The City of San Diego Attorney’s Office has opined that, unlike assessments, balloting by property owners for a new service fee would not be weighted by the level of the fee. Instead, each parcel owner would have one vote, regardless of parcel size.

ACA 13 is a bill before the State Assembly that would allow local governments to impose or increase fees for flood control, stormwater drainage or surface water drainage without property-owner balloting or a two-thirds vote. The bill must be passed by the legislature, signed by the governor and approved by the State’s voters before becoming law. To be conservative, this report assumes that ACA 13 will not be enacted.

The Ventura County Watershed Protection District has requested legislation that would allow it to charge an annual fee of \$25 per parcel to fund watershed protection, because the District’s management feels that obtaining a two-third’s vote of the general electorate would be easier than obtaining a majority vote of the property owners for an assessment. AB 1003 passed the Legislature but was vetoed by the Governor because of his concern that it “would not protect against the possibility of imposing a fee without voter approval.” A revised bill has been submitted for the Governor’s consideration in fall 2005.

Orange County Sanitation District has proposed a countywide fee which will cost property owners as much as \$50 a year to keep the beaches clean. The fee would pay for a \$25 million project to divert urban runoff from the North and Central County into the District’s sewage treatment plants. A vote on the fee has been postponed to 2008.

Proposition 218 tightly controls service fees. The Proposition applies to any fee “imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service.” This would seem to apply to the service fee as described in this report, because it would be billed to parcels and the property owners cannot avoid payment by declining the service. As such, the fee cannot 1. generate funds greater than required to provide the property related service, 2. be used for any purpose except that for which the fee is imposed, 3. exceed the proportional cost of the service attributable to the parcel, and 4. be imposed unless the service is actually used by, or immediately available to the owner of the property.

The following table compares the service fees of several cities in California.

Table 2.1
Comparison of Stormwater Service Fees in California

City or County	Typical Household Annual Fee	2004 Population
Riverside County	\$ 4.00	1,871,950
City of San Clemente	\$ 8.00	59,550
City of San Diego	\$ 10.08	1,263,756
City of Los Angeles	\$ 24.00	3,845,541
City of Santa Monica	\$ 36.00	87,823
City of San Jose	\$ 40.44	904,522
City of Davis	\$ 45.00	63,722
City of Alameda	\$ 53.52	71,136
Sacramento County	\$ 70.20	1,352,445
City of Palo Alto	\$ 120.00	56,862

Grants

Grants are different than the above funding methods in three ways: 1. They are free, 2. The federal or state governments provide the funds, not the County, and 3. They provide only one-time funding for capital projects. Following are different types of grants that may be available for watershed protection projects.

State Grants. These are competitive grants from the proceeds of state general obligation bonds. The bonds were authorized by Propositions 13, 40 and 50, though the State's voters may also authorize future bonds. Grants that will be funded in fiscal year 2005-06 and that may be applicable to watershed management in Los Angeles County include the following:

- **Nonpoint Source Pollution Control Program.** This program includes projects that protect the beneficial uses of water throughout the state through the control of nonpoint source pollution.
- **Urban Storm Water Grant Program.** This program includes projects designed to implement stormwater runoff pollution reduction and prevention programs, including diversion of dry weather flows to publicly owned treatment plants, acquisition and development of constructed wetlands and the implementation of approved best management practices, as required by stormwater permits.
- **Integrated Regional Watershed Management Program.** This program includes projects for development of local watershed management plans, implementation of watershed protection and water management projects, habitat protection and restoration and recreational opportunities. SB 153, the California Clean Water, Safe Neighborhood Parks and Coastal Protection Act of 2006, would fund this

program with \$4 billion additional bonds. The bill has passed the State Senate and is being considered in the Assembly.

U.S. Department of Transportation SAFETEA-LU Grants. The Safe, Accountable, Flexible, Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU), enacted on August 10, 2005, provides grants for retrofitting or construction of stormwater treatment systems to address environmental problems caused or contributed to by transportation facilities. These grants may be applicable to watershed management projects because much of the runoff arises from public streets and highways. In Los Angeles County, the Metropolitan Transit Authority administers the grants. The Cities of Santa Monica and Los Angeles used a transportation grant under a previous authorization to pay part of the cost of constructing the Santa Monica Urban Runoff Reclamation Facility (SMURRF).

Section 319(h) Nonpoint-source Implementation Grants. These grants are made according to Section 319(h) of the 1987 Clean Water Act Amendments. They are intended to fund projects that “prevent, control and/or abate non-point source water pollution.” The State Water Resources Control Board administers the grants in California. Application for the grants is very competitive.

Direct Appropriations from State and Federal Governments. The County can ask its representatives in the State Legislature and U.S. Congress to sponsor legislation that will fund specific projects. A specific appropriation can be a line item for an existing program or as part of general appropriations.

Metropolitan Water District (MWD) Operating Subsidy

In its Local Resources Program, MWD offers annual operating subsidies for projects that recycle water that otherwise would have to be imported. The subsidy may be available, on a competitive basis, for projects that treat and reuse urban runoff. In 2004, the subsidy was \$117 per acre-foot of water that is treated and delivered for use. The amount of the subsidy therefore depends on the ability to market and sell recycled water. MWD provides the subsidy for SMURRF because the facility produces water for irrigation.

Retail Water Sales

Water from urban runoff treatment plants can be sold at a discount from potable water rates for irrigation and industrial uses. Serious practical limitations restrict this option, however, including 1. At current rates, the sales revenue from recycled water is often insufficient to cover the capital and operating costs of distributing the water to the customers, 2. It is often difficult to find enough customers within a reasonable distance of the plant to purchase all of the available recycled water and 3. Recycled water must be stored for use during dry periods when the demand is greatest.

Participation by Water Agencies

In many cities, including Los Angeles, the water departments have monopolies on selling recycled water to the retail customers. However, the water departments, and also regional water agencies, may be willing to participate in the construction costs of the projects in return for rights to the water, whether the water is produced by runoff treatment facilities or allowed to infiltrate into the groundwater. As a wastewater example, the Los Angeles Department of Water and Power paid the costs of the Advanced Wastewater Treatment Facility at the City's Terminal Island Treatment Plant so that the Department could sell the recycled wastewater to neighboring industries. Perhaps, similar arrangements could be made for treated or infiltrated runoff. However, this funding option may suffer some of the same limitations as described above for retail water sales.

U.S. Army Corps of Engineers

The Corps' Civil Works Directorate spends about \$500 million per year on environmental activities. Major projects require congressional approval. This funding source may be applicable for environmental projects along waterways owned by the Corps, including the Los Angeles, San Gabriel and Santa Clara Rivers and their major tributaries, such as the Rio Hondo, Compton and Coyote Creeks.

Runoff Discharge Permit Fees

Permits would be issued similar to the permits for discharging industrial waste to the wastewater system. Inspection fees would recover the costs of performing the inspections. Penalties would be imposed for violations. The amounts of the penalties would be set to discourage unlawful runoff discharges, with the proceeds used to fund general watershed management activities. Additional fees could be imposed on the permits to recover systemwide watershed management costs. However, these additional fees are not evaluated in this report because they would be largely duplicative of the other funding sources evaluated in this report and would not be generally applicable.

SECTION 3. CONSIDERATIONS IN EVALUATING THE FUNDING SOURCES

This section discusses technical and administrative considerations in implementing the funding sources and the criteria that are used in evaluating the funding options. Public acceptability is not addressed.

Varying Funding by Watershed

The County may wish to vary a watershed management fee, assessment or tax by watershed, in consideration of the varying costs of the projects in the different watersheds. This report considers if the selected funding source can be varied by watershed, if such is needed for equity and/or political reasons.

Distribution Of Funds And Providing Credits For City Taxes

One issue that needs to be resolved is how to ensure equity across all of the cities and areas of the County. Some cities are already charging their residents for watershed management projects and activities. For example, the City of Los Angeles will charge property taxes to pay debt service on its Proposition O bonds funding capital projects. It is important to ensure that the residents of some cities, such as Los Angeles, are not unfairly paying more for pollution control than other County residents when these cities have already acted on funding the runoff pollution problem. Another important issue is how to distribute funds for projects in the various cities. The solutions to these two issues are linked together. Following are options for resolving these issues.

Option 1 – Reducing Payments for Cities Already Charging their Residents. One option is to reduce the countywide fee or tax to the residents of these cities so that the total payments are the same throughout the County or watershed. More funds would need to be obtained on a countywide basis than with Option 2 below. Funds that are not needed for the County's watershed management projects would be distributed to the different cities for their own projects. With all residents paying the same, there would be no need to distribute the funds in proportion to the cities' contribution of funds. The funds would be distributed to those projects with the greatest impact on pollution, regardless of location. However, as some projects may have multiple benefits such as recreation, the funds paying for these other benefits may still need to be distributed more or less evenly across the County or watersheds.

Advantages of this option include the following:

- Funding resources would be put to the greatest benefit because more of the funds would come from the countywide source. The County would control funding for its projects and for many of the cities' projects and could select those projects with the greatest impact on pollution, regardless of location. This would result in greater overall pollution control than with Option 2.
- With more funds coming from the countywide source, there would be greater economies of scale in obtaining the funds. There would be less administrative cost than if each city obtained more of its own funds.
- Public acceptance of the funding mechanisms will be enhanced if people understand that everyone will pay their fair share of the total watershed management costs.

This option has the following disadvantage:

- This option would require that funding sources allow reductions for those cities with their own funding sources. Property taxes, for example, would work well, because different rates can be made applicable in different tax rate areas. It probably would not be possible, or very effective even if it were possible, to vary sales tax rates in different cities depending on how much they fund their own runoff pollution projects. This option would therefore limit the funding sources that can be used.

Option 2 – County Funding for Local Projects. Another option would be to charge all residents a reduced amount to fund only the County's projects. The cities would be left on their own to pay for their projects, because the County would not fund city projects. This option has the following advantages:

- This option would simplify the administration of the countywide funding source because the same rate would apply in all areas.
- The option would allow a greater range of funding sources, because it would not be necessary to reduce the payments of residents in those cities with their own funding sources.

Disadvantages include the following:

- With each city selecting and paying for its own projects, resources may be used by some cities to fund projects having limited benefit in reducing runoff pollution, while other cities may not have sufficient resources to fund projects with greater watershed management benefit. Overall pollution control may therefore be less than with Option 1.
- Residents in unincorporated areas and in cities that fail to obtain their own funding sources would pay less overall for runoff watershed management than would the residents of the other cities. This would be unfair because the residents of all areas contribute to the pollution problem.

Option 3 – Variant of Option 1. This is similar to Option 1, except that funds from the County are distributed to the cities based on their populations, contributions of funds by their residents or businesses, or some other formula. Option 3 has the following advantage:

- With more funds coming from the countywide source, there would be greater economies of scale in obtaining the funds. There would be less administrative cost than if each city obtained more of its own funds.

Disadvantages include the following:

- This option would require that funding sources allow reductions for those cities with their own funding sources. This option would therefore limit the funding sources that can be used.
- The distribution of funds would be made without regard to the need for projects. Overall pollution control may therefore be reduced.

Conclusion. Based on the above analysis, Option 1 is the proposed method of distributing funds and accounting for cities with their own funding sources. It provides a greater amount of pollution control benefit for the same expenditure and guarantees that residents of all cities pay their fair share of watershed management costs.

Evaluation Criteria

Following is a summary of the criteria that are used to evaluate the funding options in this report:

- **Equity.** Generally, those people that contribute the pollution should pay the costs of watershed management projects in proportion to their contribution. Fairness requires that a relationship, or “nexus,” exist between the payment and contribution. This requires consideration of whether runoff was generated on private or public property, on what basis the capital and operating costs are incurred and if the selected funding source results in people paying in proportion to the costs of removing the pollution that they contribute. Proposition 218 requires this criterion for property-related fees and assessments. The criterion is not required for sales and property taxes.
- **Administrative Cost.** The costs of collecting the revenue should be reasonable, which is more likely if an existing system is in place to collect the revenue.
- **Availability of Funds.** The funding sources should contribute sufficient funds to cover much or all of the capital and operating costs.
- **Implementation Feasibility.** The funding sources should fit well with the existing funding sources of the various cities in the County so that the residents in each city contribute their fair share of the Countywide watershed management costs. The funding sources should be able to be varied between watersheds within the County, if the County decides this is needed.
- **Stability of Revenue.** The funding sources should provide a dependable revenue stream.
- **Adoption Requirements.** Some funding sources will have more significant hurdles that must be surmounted for their adoption than other sources. Such hurdles may include voting requirements, legislative action and state or federal appropriations.
- **Flexibility.** The funding sources should be able to be used to cover the different types of costs.

SECTION 4. APPLICABLE FUNDING SOURCES FOR FUTURE COSTS

This section groups the likely future activities and projects into broad categories and then evaluates the funding sources that may be applicable from the perspective of equity. The analysis for future projects includes both the capital costs and O&M costs arising from the projects.

Description of the New Program

The water quality regulations faced by the County and cities include increasingly stringent NPDES permits and TMDL regulations. This includes reducing the pollution in both stormwater and dry-weather runoff, to enhance the quality of the County’s beaches and waterways. A TMDL establishes by permit a maximum limit for a specific pollutant that

can be discharged into a water body without causing it to become impaired. The pollutants targeted in this report are trash and bacteria, though the costs of the capital projects can be related to the dry-weather or wet-weather runoff flows. The source of the trash is littering, while bacteria comes from animal droppings, food waste, naturally occurring bacteria and decaying organic matter. Additional TMDLs, such as for heavy metals, are expected in the future. These may require additional types of capital projects besides those used in this report to evaluate the methods of funding the projects.

After a review of new activities and projects related to complying with the above regulations, six broad categories have been identified, based primarily on the type and purpose of the facilities. The six main categories are runoff treatment, low flow diversion, trash capture, stormwater storage and infiltration, dry weather flow storage and infiltration and improvements along waterways and lakes.

Runoff Treatment. These are runoff treatment facilities similar to SMURRF. The purpose of the facilities is to remove pollution in runoff and to recycle water suitable for irrigation and recharge.

Low Flow Diversion. These are diversions to sanitary treatment plants of dry-weather runoff to remove a source of pollution. Due to economies of scale, runoff treatment at sanitary treatment plants costs less than at runoff treatment plants such as SMURRF. However, the diversions do not provide additional water for reuse because the plant owners cannot typically reuse all of the water that they treat.

Trash Capture. These are devices, such as catch basin screens and continuous deflection separators, which capture trash for later disposal. The devices need labor intensive maintenance to remove and dispose trash.

Stormwater Storage and Infiltration. These projects include devices that 1. store wet-weather runoff, including retention grading, and bioretention that may also filter the runoff or remove organic material, 2. cisterns that serve to reduce peak flows and reduce water use as the cistern water is used for irrigation and 3. porous pavement in areas with permeable soils, such as the East San Fernando Valley, that reduces peak storm flows and enhances infiltration into the groundwater. The devices may be small enough to be installed and paid for by individual property owners, as required for new construction permits.

The projects may also include larger flood control basins and detention basins to store stormwater. Such storage may allow infiltration of stormwater over time, with the benefits of capturing pollutants in the soil and augmenting the groundwater. Storage will also reduce downstream peak stormwater flows, allowing downstream facilities to remove a larger percentage of the polluted stormwater.

Dry Weather Flow Storage. Devices such as retention grading, driveway dry wells and bioretention may also be used to store and filter dry-weather runoff. The devices may be

small enough to be installed and paid for by individual property owners, as required for construction permits.

Improvements Along Waterways and Lakes. These projects divert polluted runoff from waterways and lakes, often filtering out pollutants in constructed wetlands or strip filters. They improve the condition of waterways and provide recreational opportunities.

Multi-benefit Projects

Many projects provide opportunities for multiple benefits. For example, a constructed wetland could provide recreational benefits in addition to filtering pollutants from runoff. In some cases, these additional benefits may allow the use of additional funding sources for constructing or operating the projects. For example, selling water for irrigation could offset some of the operating costs of the projects. Including other benefits may also reduce the cost of the watershed management portions of the projects. Following are some of the possible benefits of the projects besides removing pollutants from runoff:

Flood Control. The wet weather storage and infiltration projects discussed above have an added flood control benefit of reducing the peak flows of runoff. A portion of the project costs could therefore be paid from the existing flood control assessment in recognition of this benefit.

Water Reuse. Some of the projects provide water that can be reused, thereby reducing the need for water that must be imported. Projects with runoff infiltration will augment groundwater supplies, while projects that treat runoff will provide water for direct use. The Metropolitan Water District, Los Angeles Water and Power and other water agencies may be willing to contribute funds towards projects that reduce the amount of water that they must import. This benefit is exemplified by SMURRF.

Water sales for irrigation or other uses might offset some of the costs of multi-benefit projects. Unfortunately, at today's water prices, the capital costs of distributing such water will most often exceed the water sales revenue. In the short run, there will probably be no net revenues that can be used to offset the capital costs of capturing and treating the water, though the net sales may offset some of the operating costs.

Recreation and Tourism. Constructed wetlands and other vegetated areas used for removing pollutants might also provide recreational and esthetic benefits. This might be used to justify using park and urban enhancement bond funds to pay for portions of the projects. However, there may be considerable competition for park funds. Urban stream renewal grants have been available for such projects.

Possible Funding Sources for the Projects

For each of six categories, the tables below identify hydraulic or pollution loading types and sources, which in turn determine the possible sources of funding based on the principle of "polluter pays". The tables also discuss how well the possible funding sources

provide the nexus between payment of the project costs and pollution contribution. Benefits other than watershed management, such as flood control, recreation and water supply, are also shown in the tables.

Table 4.1
Funding Sources for Runoff Treatment Projects

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital	Dry-weather flow	Runoff from streets and other public areas	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Bond and associated property tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee or benefit assessment based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff volume from streets is proportional to runoff volume from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to runoff.
		Runoff from private property (Car washing, irrigation overspray, etc.)	Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of dry-weather runoff based on property use.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
			Bond and associated property tax	The nexus between dry-weather runoff and assessed value is poor.
			Water bill surcharge	An Irvine Ranch Water District study indicates a linkage between water use and dry-weather runoff.
			Construction grants	
O&M	Bacteria and other pollutants	Pollution from streets and other public areas (dog feces, littering, gasoline, brake lining dust, etc.)	Participation by the Metropolitan Water District or other water agency	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import.
			Recycled water sales	Water sales may be used in some limited cases to cover the capital costs of producing the water.
			Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff pollution from streets is proportional to runoff pollution from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
		Pollution from private property (Car washing, irrigation overspray, etc.)	Parcel tax	Although the formula can be varied somewhat from a per-parcel tax, it probably cannot be structured to provide a good nexus between pollution contribution and payment.
			Service fee or benefit assessment based on use of the property	The fee or assessment can be structured to provide a good nexus between pollution contribution and payment.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
	Beneficial use of water		Metropolitan Water District operating subsidy	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import.
			Water sales	Water sales less the costs of distribution pumping may cover some of the O&M costs of producing the water.

Table 4.2
Funding Sources for Low Flow Diversion Projects

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital	Dry-weather flow	Runoff from streets and other public areas	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people play to control runoff from public places.
			Bond and associated property tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee or benefit assessment based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff volume from streets is proportional to runoff volume from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to runoff.
		Runoff from private property (Car washing, irrigation overspray, etc.)	Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of dry-weather runoff based on property use.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
			Bond and associated property tax	The nexus between dry-weather runoff and assessed value is poor.
			Water bill surcharge	An Irvine Ranch Water District study indicates a linkage between water use and dry-weather runoff.
			Construction grants	
O&M	Bacteria and other pollutants	Pollution from streets and other public areas (dog feces, littering, gasoline, brake lining dust, etc.)	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people play to control runoff from public places.
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
			Service fee based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff pollution from streets is proportional to runoff pollution from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.
		Pollution from private property (Car washing, pesticides, nutrients, fertilizer, etc.)	Parcel tax	Although the formula can be varied somewhat from a per-parcel tax, it probably cannot be structured to provide a good nexus between pollution contribution and payment.
			Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of pollution based on property use.
			Service fee or benefit assessment based on total area and impervious area	Easier to calculate, but not as good a nexus, because pollutant contribution is poorly related to property size and imperviousness, especially when comparing industrial, commercial and residential uses of property.

Table 4.3
Funding Sources for Trash Capture Projects

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital and O&M	Volume of trash	Littering on streets and in other public areas	Property tax and Parcel Tax	These funding sources are appropriate for this general benefit in that it makes all people pay for trash in public places, either through tax bills or through rents.
			Local sales tax	There may be a nexus between purchases subject to sales tax and littering. Moreover, this funding source is appropriate for this general benefit in that it makes all people pay to control trash in public places.
			Flat surcharge on vehicle License and registration fees	Reasonable nexus between payment and use of the streets. However, this works only for the trash contributed by vehicle owners, forcing vehicle owners to pay for the trash contributed by pedestrians.
			Gasoline tax	Good nexus between payment and use of the streets. However, this works only for the trash contributed by vehicle owners, forcing vehicle owners to pay for the trash contributed by pedestrians.
			Tax on commodities	This would provide a good nexus between the payment and costs of trash removal, if it were possible to tax all the different sources of trash. However, it would not be feasible to do so.
			Construction grants	

Table 4.4
Funding Sources for Stormwater Storage and Infiltration Projects

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital	Wet-weather flow	Storm runoff from streets and other public areas	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Bond and associated property tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee or benefit assessment based on are and impervious area	This provides a reasonable nexus if one assumes that responsibility for runoff volume from streets is proportional to runoff volume from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to runoff.
		Storm runoff from private property	Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation, provides an excellent nexus between payment and the amount of runoff.
			Bond and associated property tax	The nexus between wet-weather runoff and assessed value is poor.
			Individual property owners	Devices, such as retention grading, driveway dry wells and bioretention, may be required of new development to mitigate increased peak flows and pollution caused by the development.
			Participation by water agencies	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import.
			Construction grants	
	Flood control benefit		Current flood control assessment	The flood control benefit may justify using funds from the current assessment.
	Beneficial use of water infiltrated into the groundwater		Participation by water agencies	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import.
O&M	Bacteria and other pollutants	Pollution from streets and other public areas (dog feces, littering, gasoline, brake lining dust, etc.)	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff pollution from streets is proportional to runoff pollution from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.
		Pollution from private property (Car washing, pesticides, nutrients,	Parcel tax	Although the formula can be varied somewhat from a per-parcel tax, it probably cannot be structured to provide a good nexus between pollution contribution and payment.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
		fertilizer, etc.)	Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of pollution based on property use.
			Service fee or benefit assessment based on total area and impervious area	Easier to calculate, but not as good a nexus, because pollutant contribution is poorly related to property size and imperviousness, especially when comparing industrial, commercial and residential uses of property.
	Flood control benefit		Current flood control assessment	The flood control benefit may justify using funds from the current assessment.
	Beneficial use of water infiltrated into the groundwater		Reimbursement by water agencies for water that is available for future pumping.	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import.

Table 4.5
Funding Sources for Dry Weather Flow Storage Projects

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital	Dry-weather flow	Runoff from streets and other public areas	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Bond and associated property tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee or benefit assessment based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff volume from streets is proportional to runoff volume from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to runoff.
		Runoff from private property	Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of dry-weather runoff based on property use.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
			Bond and associated property tax	The nexus between dry-weather runoff and assessed value is poor.
			Individual property owners	Devices, such as retention grading, driveway dry wells and bioretention, may be required of new development to mitigate increased peak flows and pollution caused by the development.
			Water bill surcharge	An Irvine Ranch Water District study indicates a linkage between water use and dry-weather runoff.
O&M	Bacteria and other pollutants	Pollution from streets and other public areas (dog feces, littering, gasoline, brake lining dust, etc.)	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Service fee based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff pollution from streets is proportional to runoff pollution from properties.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between payment and use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.
		Pollution from private property (Car washing, pesticides, nutrients, fertilizer, etc.)	Parcel tax	Although the formula can be varied somewhat from a per-parcel tax, it probably cannot be structured to provide a good nexus between pollution contribution and payment.
			Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of pollution based on property use.
			Service fee or benefit assessment based on total area and impervious area	Easier to calculate, but not as good a nexus, because pollutant contribution is poorly related to property size and imperviousness, especially when comparing industrial, commercial and residential uses of property.
	Beneficial use of water infiltrated into the groundwater		Reimbursement by water agencies for water that is available for future pumping.	Water agencies may be willing to pay some of the cost, because this should reduce the amount of water that they must import. However, the amount of dry-weather flow that can be infiltrated may be limited because of groundwater contamination concerns.

Table 4.6
Funding Sources for Improvements Along Waterways and Lakes

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Capital	Dry-weather and perhaps wet-weather flow	Runoff from streets and other public areas	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control runoff from public places.
			Bond and associated property tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee or benefit assessment based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff volume from streets is proportional to runoff volume from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to runoff.
		Runoff from private property (Car washing, irrigation overspray, etc.)	Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of dry-weather runoff based on property use.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
			Bond and associated property tax	The nexus between runoff and assessed value is poor.
			Participation by the U.S. Corps of Engineers	The Corps may be willing to pay some of the cost of projects alongside channels owned by them.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
	Recreation and Esthetic Improvement Benefit		Construction grants	
			Recreation bond funds	Park bond funds might be used to pay for portions of the projects. However, there will be considerable competition for park funds.
			Local sales tax	Use of this type of revenue is consistent with the general nature of this benefit.
			Bond and property tax	Use of this type of revenue is consistent with the general nature of this benefit.
O&M		Runoff from streets and other public areas	Local sales tax	Use of this type of revenue is consistent with the general nature of this benefit.
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for runoff from public places, either through tax bills or through rents.
			Service fee based on use of the property	This provides a reasonable nexus if one assumes that responsibility for runoff pollution from streets is proportional to runoff pollution from properties.
			Flat surcharge on vehicle License and registration fees	Assumes that all vehicles use the streets equally. This provides a reasonable nexus between use of the streets that contribute to runoff, but not as good a nexus as a gasoline tax.
			Gasoline tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.
		Runoff from private property (Car washing, irrigation overspray, etc.)	Parcel tax	Although the formula can be varied somewhat from a per-parcel tax, it probably cannot be structured to provide a good nexus between pollution contribution and payment.
			Service fee or benefit assessment based on use of the property	Can provide a good nexus if studies provide a reasonable estimate of the quality of dry-weather runoff based on property use.
			Service fee or benefit assessment based on total area and impervious area	Payment is based on an estimate of storm runoff generation. This provides a poor nexus between payment and the amount of dry-weather runoff.
	Recreation and Esthetic Improvement Benefit		Local sales tax	Use of this type of revenue is consistent with the general nature of the benefit.
			Parcel tax	Use of this type of revenue is consistent with the general nature of the benefit.

SECTION 5. APPLICABLE FUNDING SOURCES FOR CURRENT WATERSHED MANAGEMENT ACTIVITIES

The Los Angeles County Flood Control District and various cities in the County have ongoing activities aimed at mitigating runoff pollution. In many cases, these activities have been recently scaled back to provide funds and staff for TMDL compliance. Restoration of the funds may therefore need to be incorporated in a future funding structure. Below is a summary list of the current activities, not including the planning and design of future capital projects.

Inspection/Enforcement. The main goal of this operation is to ensure that industrial and commercial businesses follow and implement best management practices to prevent pollutants such as grease from restaurants, oils from automotive repair, and bacterial laden food from food processing activities from being washed down the storm drain.

Enforcement ensures that violators are punished properly by applying penalties and any applicable statutes.

Catch Basin Cleaning and Road Sweeping. Catch basins serve as the primary point through which stormwater and urban runoff enter the storm drain network. Littering is the primary cause of catch basin blockage. Clogged catch basins, as well as being unsanitary and unsightly, have the potential to cause flooding, especially during rain events. The City of Los Angeles owns about 35,000 catch basins and cleans them at least once a year.

Public Education And Stormwater Hotline. This aims to increase public knowledge of the impact of runoff pollution, assist in information dissemination and encourage a change in behavior that contributes to stormwater pollution, such as littering and illegal dumping of waste. Activities include printing brochures, conducting educational workshops, stenciling catch basins and many more. In addition, toll-free hotlines are available for the public to report abandoned wastes and chemical spills that will drain into catch basins and the storm drain system.

The tables below summarize the main activities and identify possible sources of funding.

Table 5.1
Funding Sources for Enforcement/Inspection

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
Inspection and enforcement			Inspection fee for permit	Since this would vary with the type of business, there could be a very good nexus between the expected inspection costs and the amount of the fee.
			Violation Penalties	The penalties would ensure that the dischargers, rather than the general public, would bear the costs of dealing with unlawful discharges.
			Local sales tax	This funding source is appropriate if it is not practical to assess inspection fees.
			Parcel tax	This funding source would be appropriate if it is not practical to assess inspection fees.

Table 5.2
Funding Sources for Catch Basin Cleaning and Street Sweeping

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
O&M	Trash	Littering from streets and other public areas by the public	Local sales tax	This funding source is appropriate for this general benefit as it makes all people pay to control littering which is the source of trash in catch basins.
			Parcel tax	This funding source is appropriate for this general benefit in that it makes all people pay for trash in public places, either through tax bills or through rents.

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
			Tax on commodities	This would provide a good nexus between the payment and costs of trash removal, if it were possible to tax all the different sources of trash. However, it would not be feasible to do so.
			Flat surcharge on vehicle license and registration fees	Reasonable nexus between payment and use of the streets. However, this works only for the trash contributed by vehicle owners, forcing vehicle owners to pay for the trash contributed by pedestrians.
			Gasoline tax	Good nexus between payment and use of the streets. However, this works only for the trash contributed by vehicle owners, forcing vehicle owners to pay for the trash contributed by pedestrians.

Table 5.3
Funding Sources for Public Education Hotline

Cost Type	Load Type	Source of Load	Possible Funding Sources	Comments
O&M	Trash, Bacteria	Illegal discharges and littering	Local sales tax	This funding source is appropriate for this general benefit in that it makes all people pay to control the problem before it reaches the storm drains.
			Parcel tax	This funding source would be appropriate for this general benefit because it makes all people pay, either through tax bills or through rents.
			Gasoline Tax	Good nexus between payment and use of the streets that contribute to pollution from vehicles.

SECTION 6. ADVANTAGES AND DISADVANTAGES OF THE ALTERNATIVE FUNDING SOURCES

This section develops the advantages and disadvantages of the alternative funding sources.

Property Tax for Capital with a Special Purpose Parcel Tax for O&M

Property taxes can be used to pay the debt service costs on bonds, in which case the voters would be asked to authorize bonds with a corresponding increase in property tax rates. Property taxes cannot be used to finance O&M activities, so a special purpose parcel tax would be used. Advantages of this funding source including the following:

- The combination of property and parcel taxes can be used to fund all elements of the runoff pollution program.

- Property and parcel taxes are frequently used to pay for general benefits. They would therefore make all people pay for trash in public places, either through their tax bills or through rents. They would also make businesses pay. They would also be appropriate for funding the general benefits of multipurpose projects, such as parks and wetlands.
- Administrative costs of collecting the taxes will be low because they can be included on the County's property tax roll.
- These funding sources could provide as much funds as needed for the entire program. The County would receive \$41,000,000 per year to cover debt service on the bonds with a rate increase of only one-half percent of the general tax levy. The average single-family property would pay only \$13 per year additional tax.
- An additional per-parcel tax of only \$39 per year would provide \$101,000,000 to fund operations.

Disadvantages include the following:

- Revenues could be reduced somewhat if falling property values force the County to lower assessed valuations. In times of stable values, revenues may increase slower than inflation, especially construction inflation, since the assessment increases at only two percent per year unless the properties are sold.
- The equity of using property taxes is diminished because owners will pay differing amounts of the property taxes depending on how long they have owned their properties.
- These funding sources cannot be used to charge public property, churches and other tax-exempt properties.
- Service fees or benefit assessments can be structured to provide a much better nexus between payments by property owners and the costs of reducing pollution in runoff from the properties.
- Two-thirds of the general electorate would need to approve the increased taxes.
- A parcel tax would not work well for the preferred Option 1 of keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. A parcel tax approved in a Countywide or District-wide vote cannot be varied by area.
- The County would not have the option of varying the parcel tax by watershed.

Local Option Sales Tax for Capital and O&M

Advantages of this funding source include the following:

- Sales taxes are frequently used to pay for general benefits, such as reducing pollution in runoff from streets and other public areas. It makes all people pay to control runoff from public places.
- There may be a nexus between purchases subject to sales tax and littering.
- A quarter cent sales tax could generate approximately \$285 million per year. This funding source can easily provide as much funds as needed for the entire program.

The disadvantages include the following:

- This alternative would not work well for the preferred Option 1 of keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. It would be impossible or impractical to vary the sales tax rate by city.
- There is no nexus between payment of sales taxes and the amount of polluted runoff generated by private property.
- Revenues from sales taxes can vary significantly depending on economic conditions.
- Over the last twenty years, sales taxes have declined in California as a percentage of personal income. This is partly due to a shift from the purchase of taxable goods toward nontaxable services and intangible goods. The tax erosion has also been caused by Internet sales, which are supposedly taxable, but difficult to collect. Further declines in sales taxes are expected because of increased Internet sales.
- Increasing the tax rate will make the County's retailers less competitive than in other neighboring counties. This could reduce sales tax revenues somewhat by shifting sales outside the County.
- Because the tax rate can only be increased by an additional half percent without becoming higher than in any other county, there will be substantial competition for increasing sales taxes from law enforcement and other public needs.
- Sales taxes are highly regressive, so that poorer people would pay a higher part of their income for watershed management than others.
- Two-thirds of the general electorate would need to approve the increased taxes.
- The County could not practically vary sales tax rates by watershed.

Flat Surcharge on Vehicle License and Registration Fees

Advantages of this funding source include the following:

- This provides a reasonable nexus between payment and use of the public streets that contribute runoff, as well as pollutants that are emitted by motor vehicles, but not as good a nexus as a gasoline tax surcharge.
- There is already a system in place to collect and distribute the revenue, so there should be little additional cost in administering the system.
- The surcharge could provide considerable funds, \$65,000,000 per year for a \$10 surcharge.

Disadvantages include the following:

- This alternative would not work well for the preferred Option 1 of keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. It would be impossible or impractical to vary the surcharge by city.

- The legislature would need to approve the surcharge for watershed management purposes, assuming that the Governor vetoes Proposition 658.
- There is no nexus between payment of the surcharge and the generation of polluted runoff from private property, except for runoff generated from car washing.
- There is a poor nexus between payment and generation of trash, because pedestrians, not drivers, contribute most trash.
- The revenue would not be available if the Vehicle License and Registration Fees are abolished for political reasons.
- The County would not have the option of varying the surcharge by watershed.

Surcharge on Gasoline Tax

Advantages of this funding source including the following:

- This provides a good nexus between payment and use of the public streets that contribute runoff, as well as pollutants that are emitted by motor vehicles. Use of streets and generation of pollutants are directly correlated to the amount of gasoline used by the vehicles.
- There is already a system in place to collect and distribute the revenue, so there should be little additional cost in administering the system.
- This funding source could provide as much funds as needed for the entire program, an estimated \$20,000,000 for each cent per gallon surcharge

Disadvantages include the following:

- This alternative would not work well for the preferred Option 1 of keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. It would be impossible or impractical to vary the surcharge by city.
- Voters would need to approve the surcharge. This may be difficult with the current high gasoline prices.
- Legislative approval may be needed.
- There is no nexus between payment of the surcharge and the generation of polluted runoff from private property, except for runoff generated from car washing.
- There is a poor nexus between payment and generation of trash, because pedestrians, not drivers, contribute most trash.
- The County would not have the option of varying the surcharge by watershed.

Benefit Assessment

Advantages of this funding source including the following:

- This alternative would work well for the preferred Option 1, keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. The assessment rate could be adjusted for properties in different cities.

- Benefit assessments provide a good nexus between payments by property owners and the costs of reducing pollution in runoff from the properties. Assessments based on total area and impervious area provide a good estimation of runoff generated by the properties. They would correlate well with the capital costs of projects that are usually designed based on the volume of wet-weather runoff. Assessments that estimate the pollution and dry-weather runoff generated on properties based on the types of developments on the properties would correlate well with operation and maintenance costs and with the capital costs of dry-weather storage, improvements along waterways and lakes, low-flow diversions and runoff treatment projects.
- Assessments may provide a reasonable nexus between payments and the costs of reducing runoff pollution generated in streets, if one assumes that responsibility for runoff volume and pollution from streets is proportional to runoff from properties.
- The assessments could be used to reduce pollution from runoff generated on private property, because that would be considered to be a special benefit of each property.
- Revenues from the assessments would be very stable, not varying much with economic conditions.
- The administrative costs of including the assessment on the property tax bill are low, approximately \$0.20 per parcel.
- This funding source could provide as much funds as needed for the entire program.
- The County would have the option of varying the surcharge by watershed.

Disadvantages include the following:

- According to Proposition 218, a detailed engineer's report must be prepared determining the cost of the proportional special benefit to each parcel. The assessments may only recover the costs of special benefits over and above general benefits conferred to the public. County Counsel should be asked if the reduction of pollution in runoff or trash generated on streets or other public areas is a general benefit that cannot be included in the assessment. If it cannot be included in the assessment, then a benefit assessment would not be practical as a funding source.
- There would be no nexus between the assessment and the amounts of trash collected in trash capture projects.
- The equity of benefit assessments will be greatly improved if dry-weather flow and runoff pollution from properties can be estimated based on use of the properties. This has not been widely done in the stormwater and watershed management industry, however.
- A majority of the property owners would need to approve the fees or assessments on a weighted basis. The owners of large properties could therefore stop the assessments, even if most property owners approve.

If the existing flood control benefit assessment is abolished and folded into an assessment covering more of the County, then the assessment should have two

components, 1. a flood control component based on the current estimation of wet-weather runoff, and 2. a watershed management component based on an estimation of dry-weather runoff and pollution for each type of property use. Otherwise, the assessment will not accurately reflect the costs of both flood control and watershed management for the property.

Service Fee

Advantages of this funding source including the following:

- This alternative would work well for the preferred Option 1, keeping all residents' payments for watershed management the same by reducing the assessments of the residents of cities with their own funding sources. The fee rate could be adjusted for properties in different cities.
- Service fees provide a good nexus between payments by property owners and the costs of reducing pollution in runoff from the properties. Fees based on total area and impervious area provide a good estimation of runoff generated by the properties. They would correlate well with the capital costs of projects that are usually designed based on the volume of wet-weather runoff. Fees that estimate the pollution and dry-weather runoff generated on properties based on the types of developments on the properties would correlate well with operation and maintenance costs and the capital cost of projects that are designed based on dry-weather runoff.
- Service fees may provide a reasonable nexus between payments and the costs of reducing runoff pollution generated in streets, if one assumes that responsibility for runoff volume and pollution from streets is proportional to runoff from properties.
- Revenues from the fee would be very stable, not varying much with economic conditions.
- Assuming that the fee will be charged on the County property tax bills, the administrative costs should be low, approximately \$0.20 per parcel. This amounts to less than one percent of the revenue from the City of Los Angeles' Stormwater Watershed Management Charge.
- This funding source could provide as much funds as needed for the entire program.
- The County would have the option of varying the surcharge by watershed.

Disadvantages include the following:

- Two-thirds of the general electorate or one-half of the property owners would need to approve the fees.
- County Counsel should be consulted to determine if the Los Angeles County Flood Control District could impose service fees instead of or in addition to the current benefit assessment. State legislation was needed so that the Ventura County Watershed Protection District could impose such a fee.
- There would be no nexus between the fee and the amounts of trash collected in trash capture projects.

- The equity of service fees will be greatly improved if dry-weather flow and runoff pollution from properties can be estimated based on use of the properties. This has not been widely done in the stormwater and watershed management industry, however.
- According to Proposition 218, the fee cannot be imposed to recover the costs of general governmental services. The fee might therefore not be able to recover the costs of multiple benefits such as habitat protection, conservation and recreation. For example, if a constructed wetland were considered to provide recreational benefits in addition to pollution reduction benefits, then the cost of the recreational component would need to be funded from general taxes rather than the service fee. If this interpretation of Proposition 218 holds, then a service fee would not be flexible enough to cover all of the costs of the potential projects described above. However, this would not be as restrictive as for a benefit assessment.

If the existing flood control benefit assessment is abolished and folded into a service fee, then the fee should have two components, 1. a flood control component based on the current estimation of wet-weather runoff, and 2. a watershed management component based on an estimation of dry-weather runoff and pollution for each type of property use. Otherwise, the fee will not accurately reflect the costs of both flood control and watershed management for a property.

Construction Grants, MWD Operating Subsidies, Corps of Engineers Participation, Water Sales and Participation by Water Utilities

These funding sources are grouped together because they all have the huge advantage of not having to be repaid. Disadvantages of these funding sources include the following:

- The application process for grants, MWD operating subsidies and Corps of Engineers participation is time-consuming.
- MWD operating subsidies may not be reliable in difficult economic times.
- Corps of Engineers participation will require federal approval and appropriation of the funds.
- There may be much competition for these funding sources.
- There may be extensive grant compliance requirements, including grant audits.
- Water sales revenues will probably not cover the capital costs of the pipelines and storage needed to distribute treated water where and when it is needed, let alone the costs of a runoff treatment facility. Such costs may also affect water agencies' willingness to participate in the construction costs of runoff treatment projects. Sales revenues may cover much of the operating and maintenance costs, however.
- Participation by water utilities will require negotiation of the terms of the participation and ongoing administration of the contract.
- These sources could provide funds for only portions of the watershed management program.

Runoff Discharge Permit Fee

This funding source has the following advantage:

- Equity would be enhanced because inspection and enforcement fees could track closely the costs of performing these activities.

Disadvantages include the following:

- A new administrative system would need to be established, including a database of permittees and billing procedures. There would be considerable one-time costs to implement the permits and fees.
- Many cities already provide inspection of businesses in their jurisdiction. The fees would therefore not be applicable throughout the County.
- This would be appropriate as a funding source for only the costs of inspection and enforcement.

SECTION 7. CONCLUSION

Of the funding sources evaluated in the Section 6, three were judged to be the most promising for funding most of the costs of the watershed management program. They are property taxes coupled with parcel taxes, benefit assessments and service fees. All three sources comply well with the following evaluation criteria described in Section 3:

- **Administrative Cost.** The sources have relatively low administrative costs. They can be billed from the County property tax roll, avoiding the establishment of a new billing system.
- **Availability of Funds.** The sources all can provide sufficient funds for the entire watershed management program.

The following table compares the three best funding sources in relation to the remaining evaluation criteria.

Table 7.1
Comparison of the Three Best Funding Alternatives

Funding Source	Equity	Implementation Feasibility	Stability of Revenue	Adoption Requirements	Flexibility
Bonds and Property Tax for Capital, Parcel Tax for O&M	They make all people pay for runoff from public places and would be appropriate for funding the general benefits of multipurpose projects. Poor nexus between payment and runoff from private properties. These funding sources cannot be used to charge public	Parcel taxes cannot be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. Parcel taxes could not vary between watersheds.	Property tax revenues could be reduced somewhat if falling property values force the County to lower assessed valuations. Parcel tax revenues are stable.	Requires 2/3 vote.	Can cover all types of costs.

	property, churches and other tax-exempt properties.				
Benefit Assessment	Good nexus between payment and contribution to runoff from private property. Must assume that responsibility for runoff from streets is proportional to runoff from private property.	Can be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. Assessments could vary between watersheds.	Revenues are very stable.	Requires half of the weighted vote of property owners. Large properties could threaten the vote.	Cannot cover the costs of general benefits.
Service Fee	Good nexus between payment and contribution to runoff from private property. Must assume that responsibility for runoff from streets is proportional to runoff from private property.	Can be varied to fit well with the existing funding sources of the cities to guarantee that all residents pay their fair share. The fees could vary between watersheds.	Revenues are very stable.	Requires either half of unweighted vote of property owners or 2/3 vote of the general electorate.	Cannot be used for general government services, but will likely cover more cost than assessments.

This paper does not recommend a single best funding source for watershed management. The advantages and disadvantages of the alternative sources are presented in this paper so that policy-makers can decide among them. The sources are not mutually exclusive. They can be combined, if desired, to cover different types of projects and costs.

It is recommended that construction grants, MWD operating subsidies, Corps of Engineers participation, water sales revenues and participation by water utilities be pursued as they may be available. Some of these sources may be available to cover water recycling and other multiple benefits of the projects. There are certain costs in applying and negotiating for these sources, but the fact that they do not need to be repaid makes the effort well worthwhile.

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EXHIBIT 4

Sun Valley Watershed Management Plan

Sun Valley Watershed Management Plan

Its success will serve as a blueprint for the future.

This Plan is the first attempt in the nation to transform an established urban/industrial community (4.4 square miles) using various structural and nonstructural watershed management techniques and Best Management Practices (BMPs). This multipurpose project will provide solutions to flooding while retaining all storm water from the watershed, increasing water conservation, wildlife habitat, and recreational opportunities, and reducing storm water pollution.



The project will solve the **chronic flooding problem** that has plagued the underserved community of Sun Valley for well over 40 years. In addition, the community will be revitalized through the creation of much needed **recreational spaces**, aesthetics, and **wildlife habitat**.



VISION

SHELDON PIT MULTIUSE PROJECT



Current Conditions

- Limited Groundwater Recharge
- No Wildlife Habitat
- No Public Use Green Space
- No Recreational Facilities
- Upstream Areas Contribute to Downstream Flooding

This project entails a massive water conservation effort by diverting water from Tujunga Wash into Sheldon Pit for groundwater recharge. Upstream storm water runoff would also be collected and treated for increased infiltration and flood mitigation purposes. The acquisition of this 138-acre pit has multiple benefits such as habitat enhancement and both active and passive recreational amenities to enhance the quality of life for the residents living in the community.



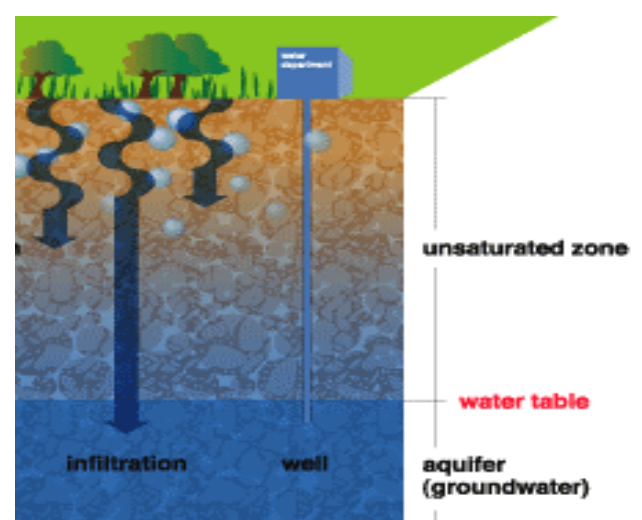
VALLEY STEAM PLANT MULTIUSE PROJECT



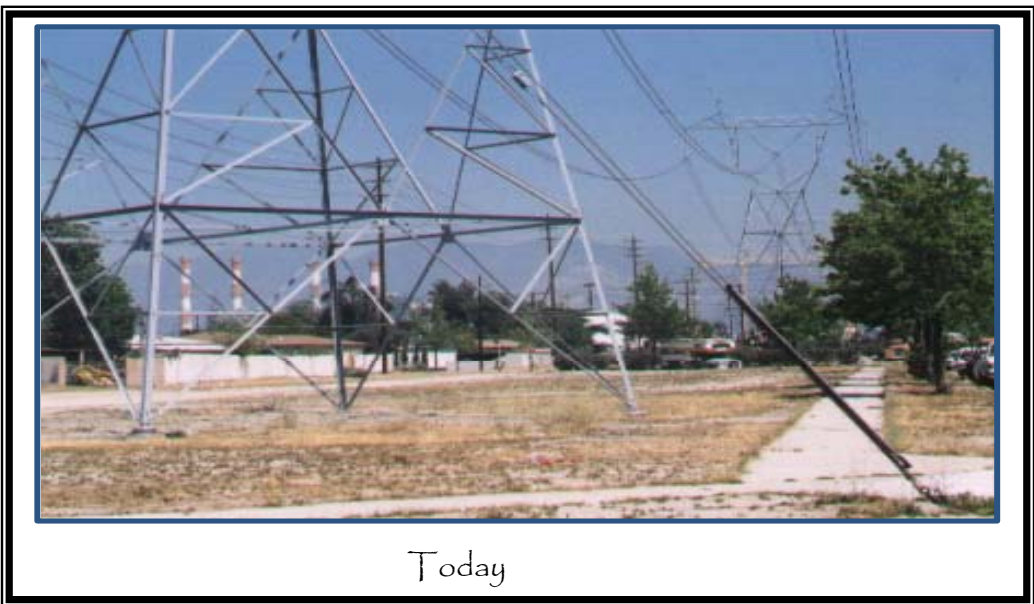
Current Conditions

- 155 Acres of Property Contributes to Downstream Flooding
- Water Pollution Conveyed Downstream
- No Water Conservation

This project will dramatically reduce downstream flooding by collecting, treating, and infiltrating the storm water runoff generated by this 155-acre site. Storm water runoff will be captured, conveyed through a treatment system to improve water quality, and pumped to the nearby Hansen Spreading Grounds for groundwater recharge.



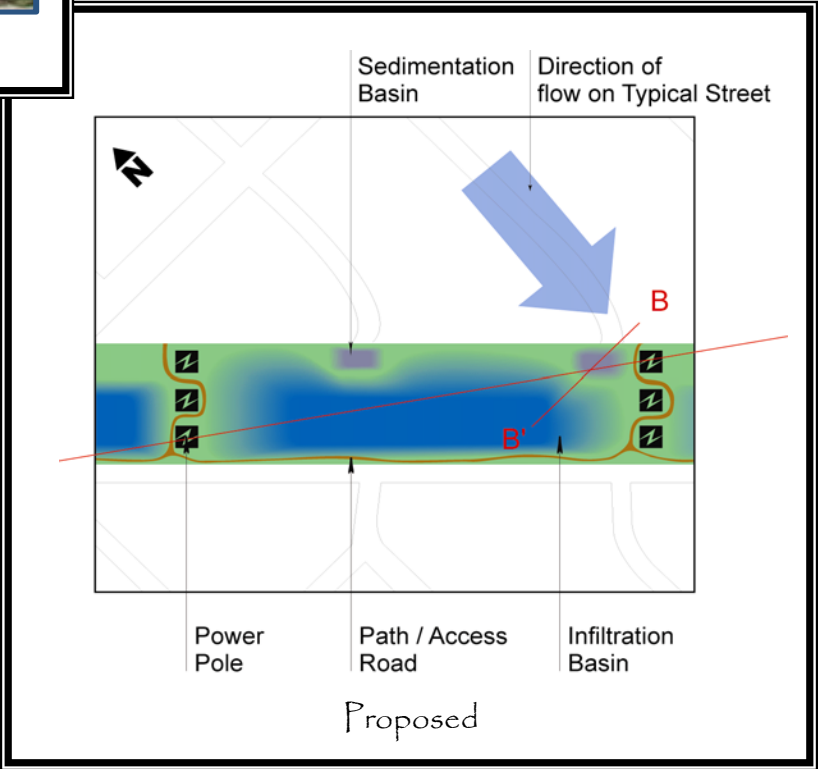
POWERLINE EASEMENT MULTIUSE



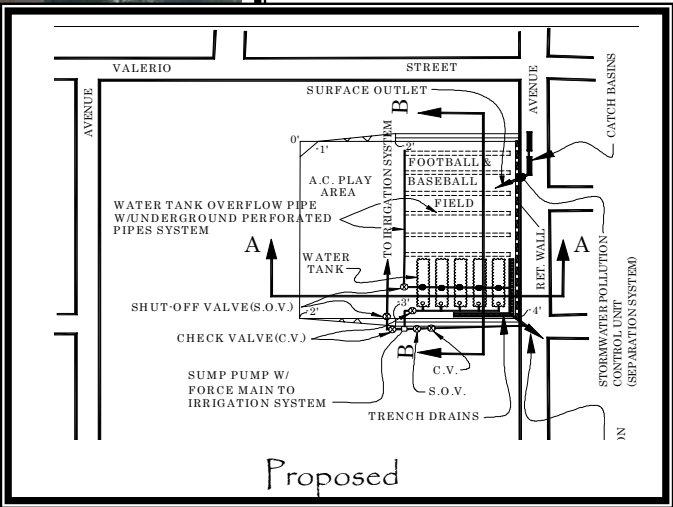
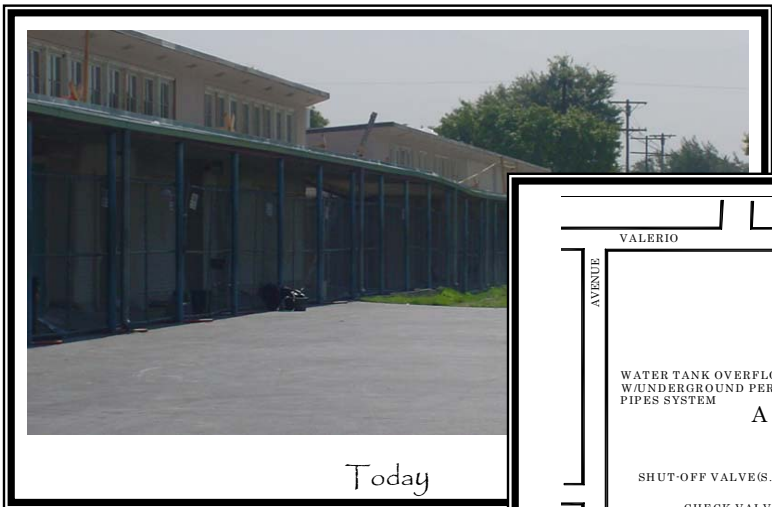
Located at the southern edge of the watershed, this project presents an opportunity to capture approximately 700 acre-ft of the watershed's storm water runoff each year before it is lost to a storm drain and pollutes the Los Angeles River. The project utilizes the area between powerline towers to treat and infiltrate the captured storm water and will provide much needed habitat and recreational enhancements. This is implemented with swales, sedimentation basins, and infiltration basins.

Current Conditions

- No Public Use Green Space
- No Recreational Facilities
- Limited Groundwater Recharge
- No Flood Mitigation
- Water Pollution Conveyed Downstream



MIDDLE SCHOOL MULTIUSE PROJECT



Current Conditions

- Limited Tree Shading
- Limited Groundwater Recharge
- Water Pollution Conveyed Downstream
- No Flood Mitigation

This project will convert an average school yard into a water conservation, flood mitigation, and water quality treatment multiuse site. Upstream runoff which will be captured, conveyed through an underground treatment and storage/infiltration system, will be stored and used to irrigate the school property. The project will provide increased educational opportunities along with additional strategic tree-planting/beautification opportunities to shade the air conditioning units and lower the energy consumption and consequently improving air quality. In addition, the project will provide flood protection for the community and the school kids can go to their school during rains.

EXHIBIT 5

Funding Workgroup Participants

FUNDING WORK PARTICIPANTS

SEPT. 22, 2005 MEETING

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